

SUNBORN (GIBRALTAR) RESORT LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

SUNBORN (GIBRALTAR) RESORT LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2017

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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:

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

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	148,942		<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

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>

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

SUNBORN (GIBRALTAR) RESORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. COMPANY INFORMATION

Sunborn (Gibraltar) Resort Limited (the 'Company') is a private company limited by shares incorporated and registered in Gibraltar. The Company is wholly-owned subsidiary of Sunborn (Gibraltar) Holdings Limited, a private company limited by shares incorporated and registered in Gibraltar.

The address of its registered office is 57/63 Line Wall Road, Gibraltar. The address of its principal place of business is 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

As at 31 December 2017 the Company has net liabilities of £1,063,029 (2016: £1,084,160). 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.

SUNBORN (GIBRALTAR) RESORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Turnover

Turnover is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. Revenue from rendering services is recognised when services are performed, provided that the amount can be measured reliably. Revenue from the sale of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Amounts paid in advance of services rendered and goods sold are recognised as deferred income.

Foreign currency translation

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Operating lease

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments made under this type of lease are charged to the profit and loss account on a straight-line basis over the period of the lease.

Tangible assets

Tangible assets are stated at purchase cost, together with any incidental costs of acquisition less accumulated depreciation. Improvement costs that we believe add value to the company are capitalised as additions and depreciated over the estimated useful economic lives. The estimated cost and accumulated depreciation of replaced or refurbished assets 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:

Computers	- 3 years
Fixtures and fittings	- 3 years
Plant and machinery	- 2 to 3 years
Motor vehicles	- 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 are charged to the profit and loss account during the financial year in which they are incurred.

SUNBORN (GIBRALTAR) RESORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories

Inventories are stated at the lower of cost and net realisable value.

In the case of inventories of materials and consumables, cost is determined on a weighted average basis and includes transport and handling costs.

Where necessary, provision is made for obsolete, slowing moving and defective inventories.

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.

Impairment

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.

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.

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 as 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.

SUNBORN (GIBRALTAR) RESORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Current and deferred taxation - continued

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 date.

Deferred tax is measured on a non-discounted basis.

4. DIRECTORS EMOLUMENTS

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

5. COST OF SALES

	2017	2016
	£	£
Cost of the sale of :		
- Food	602,989	635,089
- Beverage	151,140	210,669
Agent commission	276,986	302,949
Other costs	<u>60,369</u>	<u>-</u>
	<u>£ 1,091,484</u>	<u>£ 1,148,707</u>

SUNBORN (GIBRALTAR) RESORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2017

6. ADMINISTRATIVE EXPENSES

	2017	2016
	£	£
Salaries, wages and other benefits	3,703,226	3,545,165
Lease expense	3,500,000	2,700,000
Rent, rates and utilities	940,185	929,687
Mooring fees	416,359	492,947
Cleaning and laundry	368,309	327,187
Marketing, promotion and printing	144,167	142,614
Supplies	170,941	136,499
Reservation system	73,088	101,409
Credit card commission	105,522	100,310
Legal and professional fees	46,521	33,884
Travel and entertainment	101,371	103,170
Depreciation	79,666	86,971
Bank charges	8,311	10,388
Audit fees	15,716	17,633
Other expenses	335,847	284,033
	<u>£ 10,009,229</u>	<u>£ 9,011,897</u>

The Company employed an average of 229 employees in the current financial year (2016: 215).

SUNBORN (GIBRALTAR) RESORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2017

7. TANGIBLE ASSETS

	Computers	Plant & machinery	Fixtures fittings	Motor vehicles	Total
COST	£	£	£	£	£
At 1 January 2017	55,080	86,292	84,750	20,490	246,612
Additions	17,604	49,769	28,006	-	95,379
At 31 December 2017	<u>72,684</u>	<u>136,061</u>	<u>112,756</u>	<u>20,490</u>	<u>341,991</u>
ACCUMULATED DEPRECIATION					
At 1 January 2017	32,334	57,451	50,389	12,522	152,696
Charge for the year	19,716	30,638	22,482	6,830	79,666
At 31 December 2017	<u>52,050</u>	<u>88,089</u>	<u>72,871</u>	<u>19,352</u>	<u>232,362</u>
NET BOOK VALUE					
At 31 December 2017	<u>£ 20,634</u>	<u>£ 47,972</u>	<u>£ 39,885</u>	<u>£ 1,138</u>	<u>£ 109,629</u>
At 31 December 2016	<u>£ 22,746</u>	<u>£ 28,841</u>	<u>£ 34,361</u>	<u>£ 7,968</u>	<u>£ 93,916</u>

8. DEBTORS

	2017	2016
	£	£
Trade debtors	500,468	372,162
Amounts due from related parties ¹	456,190	265,690
Deferred tax assets	109,647	109,647
Other debtors	<u>192,656</u>	<u>60,352</u>
	<u>£ 1,258,961</u>	<u>£ 807,851</u>

¹The amount due from related party is unsecured, interest free and repayable on demand.

SUNBORN (GIBRALTAR) RESORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 DECEMBER 2017

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	331,036	422,908
Deferred income	151,865	320,660
Other creditors and accruals	77,112	123,256
Amount due to parent company ¹	489,371	489,371
Amount due to related parties ²	1,257,730	255,357
Taxation and social security	397,309	555,548
	<u>£ 2,704,423</u>	<u>£ 2,167,100</u>

¹The amount due to the parent company is unsecured, interest free and repayable on demand.

²The amounts due to related parties are unsecured, interest free and repayable on demand.

10. CALLED UP SHARE CAPITAL

	2017	2016
Authorised:		
2,000 ordinary shares of £1 each	£ 2,000	£ 2,000
	=====	=====
Issued, called up and fully paid:		
2,000 ordinary shares of £1 each	£ 2,000	£ 2,000
	=====	=====

11. OPERATING LEASE COMMITMENTS

The Company has entered an operating lease agreement with its sister company Sunborn (Gibraltar) Limited in relation to the rental of vessel, turned into hotel.

Total future minimum lease payments for each of the following periods:

	2017	2016
Future lease commitments	£	£
Not later than one year	3,500,000	2,700,000
Later than one year and not later than five years	-	-
Later than five years	-	-

SUNBORN (GIBRALTAR) RESORT LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

12. TRANSACTIONS WITH RELATED PARTY

The following transactions were carried out with related parties:

	2017	2016
	£	£
Revenue	210,846	376,181
Lease expense	<u>(3,500,000)</u>	<u>(2,700,000)</u>

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 and 9.

13. IMMEDIATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The immediate parent undertaking of Sunborn (Gibraltar) Resort 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 Ritva Niemi and Pekka Niemi who are regarded by the director to be the ultimate controlling party.

14. CHARGES

The Company's bankers have filed a charge, amounting to £6,000 in respect of the credit card issued by the Bank to the company.

Nordic Trustee and Agency AB (PUBL) has unlimited charge and debenture against the company in respect of the loan issued to its sister company, Sunborn (Gibraltar) Limited.