INTERIM FINANCIAL REPORT
1 January – 30 September 2018
SUNBORN (GIBRALTAR) LIMITED

sunborn

INTERIM REPORT 1 January - 30 September 2018

Key Figures

GBP thousand	1 Jan - 30 Sept 2018	1 Jan - 30 Sept 2017	1 Jan - 31 Dec 2017
Rental income	2,250	2,250	3,500
EBITDA	2,109	2,046	3,283
Investment property (book value)	88,019	90,921	90,104
Total Equity	9,104	3,115	1,885
Bond	50,166	49,154	49,677

Chief Executive Director, Hans Niemi

Sunborn Gibraltar Ltd income and operating costs were in line with budget and forecast. On the operating side challenging market conditions continue to prevail in Q3 2018 with lower flight arrivals and Brexit anticipation. Many client companies seem to be holding spending decisions in anticipation of various Brexit related decisions forthcoming still this year. Local Gaming companies have also reduced business travel and the blockchain industry related events in H1 have slowed down in H2. Business outlook remains stable and improving but clarity of Brexit is anticipated to help market conditions return to normality.

Sunborn Gibraltar Ltd Financial summary 1 January - 30 September 2018

Rental Income for the reporting period was as expected 2,25 M£ (2,25 M£). Company operating costs were in line with last year. Fair value of the yacht hotel was reported at 116,5 M€.

Operator Sunborn Gibraltar Resort Ltd Financial summary 1 January - 30 September 2018

The exceptional circumstance in Q4 2017, bankruptcy of a major airline, Monarch, continues to have an effect throughout 2018. Flight arrivals have improved but are still down approximately 30 % in Q3 YoY. Hotel management has been following a multilevel strategy to adapt to the market changes and reduce running costs to maintain operating profit. 1) This quarter we modified pricing strategy to allow pressure on ADR to increase occupancy as inbound flight seats are increasing albeit slowly 2) we continue negotiations with corporations to increase MICE business resulting in a substantial increase 3) Continue efforts in generating new agreements with FIT companies which use the Malaga International airport in order to attract supplementary business as well as re-marketing efforts with OTA's booking through Malaga airport and hotels in the costa del sol region. 4) Reopened negotiations with Spanish MICE agencies which have resulted in bookings for Q1 2019.

Guest satisfaction continues to be excellent reflected by Leading hotel position including Trip Advisor rating of #1, Booking.com rating of 9.1/10, Hotels.com rating of 9.2/10, Expedia.com 4.6/5.

New 120 room hotel - Holiday Inn Express. - opened in May 2018 nearby.

Continued lobbying with the Gibraltar Tourist Board and airlines in the attempt to increase flights.

Business environment

No notable changes in the business environment.

Notable events during and after the end of the reporting period

No notable events after the end of the reporting period

Estimate future development

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

Issue of share capital

In September 2018, the Company decided to issue 500 ordinary shares of £1 each at a premium of £19,999 per share.

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 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.

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.

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STATEMENT OF COMPREHENSIVE INCOME

GBP thousand	Note	1 Jan - 30 Sept 2018	1 Jan - 30 Dec 2017	1 Jan - 30 Sept 2017
Rental income from group companies	3	2,250	3,500	2,250
Depreciation	4	(2,133)	(3,482)	(2,611)
Other operating expenses		(141)	(217)	(204)
Operating loss		**(24)**	**(199)**	**(565)**
Foreign exchange loss/gain		-	(40)	638
Finance costs		(2,757)	(3,702)	(2,784)
Finance costs, net		(2,757)	(3,742)	(2,146)
Loss before taxes		**(2,781)**	**(3,941)**	**(2,711)**
Income tax expense		-	-	-
Loss for the period		**(2,781)**	**(3,941)**	**(2,711)**
Total comprehensive loss for the period		**(2,781)**	**(3,941)**	**(2,711)**

BALANCE SHEET

GBP thousand	Note	30 September 2018	31 December 2017	30 September 2017
ASSETS				
Non-current assets				
Investment property	4	88,019	90,104	90,921
Property plant and equipment	5	37	50	50
		88,056	90,154	90,971
Current assets				
Receivables from group companies		1,405	1,237	-
Other receivables		308	127	444
Cash and cash equivalents		1,467	1,677	2,491
Total current assets		3,180	3,041	2,935
Total assets		91,236	93,195	93,906
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	6	4	3	3
Share premium	6	25,603	15,604	15,604
Retained loss		(16,503)	(13,722)	(12,492)
Total equity		9,104	1,885	3,115
LIABILITIES				
Non-current liabilities				
Borrowings from group companies		30,997	40,997	40,997
Borrowings	7	50,166	49,677	49,154
Total non-current liabilities		81,163	90,674	90,151
Current liabilities				
Payables to group companies		492	263	45
Other payables		477	373	595
Total current liabilities		969	636	640
Total liabilities		82,132	91,310	90,791
Total equity and liabilities		91,236	93,195	93,906

STATEMENT OF CHANGES IN EQUITY

GBP thousand		Share capital	Share premium	Retained earnings	**Total equity**
Equity at 1 Jan 2017		3	15,604	(9,781)	
Loss for the period		-	-	(2,711)	(2,711)
Total comprehensive income		-	-	(2,711)	(2,711)
Equity at 30 Sept 2017		3	15,604	(12,492)	3,115
Equity at 1 Oct 2017		3	15,604	(12,492)	3,115
Loss for the period		-	-	(1,230)	(1,230)
Total comprehensive income		-	-	(1,230)	(1,230
Equity at 31 Dec 2017		3	15,604	(13,722)	1,885
Equity at 1 Jan 2018		3	15,604	(13,722)	1,885
Loss for the period		-	-	(2,781)	(2,781)
Total comprehensive income		-	-	(2,781)	(2,781)
Transactions with owner:					
Issue of the share capital		1	9,999	-	10,000
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	1	9,999	-	10,000
Equity at 30 Sept 2018		**4**	**25,603**	**(16,503)**	**9,104**

STATEMENT OF CASH FLOWS

GBP thousand	1 Jan - 30 Sept 2018	1 Jan - 31 Dec 2017
Operating activities		
Operating loss	(24)	(199)
Adjustment for:		
Depreciation	2,133	3,482
Net foreign exchange differences	-	(40)
Change in working capital:		
Change in receivables from group companies	(168)	(1,005)
Change in other receivables	(181)	(89)
Change in payables to group companies	229	-
Change in other payables	104	(6)
Net cash flows generated from operations before interest payments	2,093	2,142
Interest paid	(2,268)	(3,702)
Net cash flows used in operations	(175)	(1,560)
Cash used in investing activities		
Additions in investment property	(35)	(3)
Purchase of property, plant and equipment	-	(50)
	(35)	(53)
Cash flows from financing activities		
Repayment of borrowings from Group company	-	(410)
Proceeds from borrowings	-	51,459
Repayment of borrowings	-	(45,988)
Transaction costs paid	-	(1,782)
Net cash flows from financing activities	-	3,279
Net (decrease)/increase in cash and cash equivalents	(210)	1,665
Cash and cash equivalents at 1 January	1,677	11
Cash and cash equivalents at 31 December	1,467	1,677

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 is 35 Ocean Village Promenade, Gibraltar. Sunborn (Gibraltar) Limited owns a luxury yacht hotel docked at Ocean Village in Gibraltar, which it has leased to its sister company Sunborn (Gibraltar) Resort Limited, who runs the operations in accordance with a lease contract. The Yacht hotel is equipped with 189 cabins, including 22 suites. There are also conference facilities for up to 400 delegates, restaurants, bars fitness center, spa and lounges inside the Yacht hotel. The Company had no employees during the nine months to 30 September 2018 or during 2017. The Company is wholly owned by Sunborn Gibraltar Holdings Limited and its ultimate parent is Sunborn Oy, a company registered in Finland. Sunborn Oy focuses on the development of luxury spa and yacht hotels, restaurants and other high-quality property, and has more than 45 years of experience in the hospitality sector.

2. Summary of significant accounting policies

Basis of preparation

This financial report for nine months ended 30 September 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS), *IAS 34 interim Financial Reporting*, as adopted by the European Union. The nine month financial report is based on the same accounting policies and calculation methods as used in the financial statements for the year 2017, as well as on the new and updated IFRS standards described in the financial statements for the year 2017. However, the nine month financial report does not include all the information and notes that are presented in the annual financial statements. As such the nine month financial report should be read in conjunction with the financial statements for the year ended 31 December 2017.

The preparation of the nine month 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 2017

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.

The nine month period financial report is unaudited.

New IFRS standards adopted by the Company

The adaptation of IFRS 9 Financial Statements form 1 January 2018 resulted in change in accounting policies, however there are no adjustments to the amounts recognised in this report. The only relevant impact of adoption is related to impairment of financial assets.

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with the receivables which are carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has loan receivables from its parent company Sunborn Oy as well as lease receivables from its sister-company Sunborn (Gibraltar) Resorts to be assessed for impairment under the new impairment rules in IFRS 9. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the management has assessed that the impairment loss for them is immaterial.

The management considers that there has not been a significant increase in credit risk since initial recognition at any dates presented. Accordingly, impairment based on 12 month expected losses shall be recognised. The Company has made assessment and concluded that there is no material impairment loss to be recognised.

The calculations of expected credit loss for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management has concluded that this amount is immaterial.

Going concern

The Company has incurred net losses since inception in 2013 and for the years ended 31 December 2017 and period to 30 September 2018, the Company reported losses of £3.9m and £2.8m, respectively. 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 was decided to be 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 30 September 2018, management believes the Company has sufficient funds to continue as a going concern for the foreseeable future. Moreover, the company's ultimate parent has confirmed its willingness to provide financial support to allow the company to operate and meet its liabilities as and when required.

3. Rental income from related parties

Rental income comprises income generated from lease of its vessel to 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 including improvements £	Furniture & fittings £	Total £
Cost			
At 1 January 2017	96,745	450	97,195
Additions	-	3	3
At 31 December 2017	96,745	453	97,198
Additions	-	35	35
At 30 September 2018	96,745	488	97,233
Depreciation			
At 31 December 2016	3,373	240	3,613
Charge for the year	3,373	108	3,481
At 31 December 2017	6,746	348	7,094
Charge for the period	2,055	65	2,120
	8,801	413	9,214
Net book value			
At 30 September 2018	87,944	75	88,019
At 31 December 2017	90,000	104	90,104
At 31 December 2016	93,372	210	93,582

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

During 2018, a valuation report was prepared by an independent and recognised professional. The fair value of the vessel including contents was determined as €116.5M.

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 their estimated useful lives, as follows:

The useful economic life of the motor vehicle is 3 years.

6. Equity

Share Capital	**As at 30 September 2018**		**As at 31 December 2017**		**As at 30 September 2017**	
	No.	**£**	**No.**	**£**	**No.**	**£**
Authorised, allotted, called up and fully paid shares of £1 each	3,500	3,500	3,000	3,000	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. In September 2018, borrowings from the Group were decided to be converted into equity by issuing 500 ordinary shares of £1 each at a premium of £19,999 per share.

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

7. Borrowings non-current liabilities

Borrowings are analysed as follows:

GBP thousand	30 Sept 2018	31 Dec 2017	30 Sept 2017
Wholly repayable within five years	50,166	49,677	49,154

Details of loans wholly repayable within five years are as follows:			
5% senior secured bond of € 58,000,000 repayable on 5 September 2022	51,459	51,459	50,865
Less: transaction costs	(1,293)	(1,782)	(1,711)
	50,166	49,677	49,154

8. 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 as it was withdrawn during the year at market terms.

Collaterals and guarantee given

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

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

9. 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:

GBP thousand	**1 Jan - 30 Sept 2018 Net operating lease expenses (Bareboat agreement)**	**1 Jan -31 Dec 2017 Net operating lease expense (Bareboat agreement)**	**1 Jan – 30 Sept 2017 Net operating lease expense (Bareboat agreement)**
Sunborn (Gibraltar) Resorts	2,250	3,500	2,250
Total	**2,250**	**3,500**	**2,250**

EUR thousand	**30 Sept 2018**		**31 Dec 2017**		**30 Sept 2017**	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Sunborn (Gibraltar) Resorts	1,395	11	1,227	-	-	-
Sunborn (Gibraltar) Holdings	3	-	3	-	-	-
Casino Sunborn (Gibraltar)	7	-	7	-	-	-
Sunborn International Oy	-	31,383		40,997	-	40,997
Sunborn Oy	-	95		113	-	445
Sunborn London	-	-		150	-	150
Total	**1,405**	**36,489**	**1,237**	**41,260**	**-**	**41,592**

10. Appendix 1

Sunborn (Gibraltar) Resort Limited Income Statement, Balance sheet and Cash flow statement

1 January - 30 September 2018

SUNBORN (GIBRALTAR) RESORT LIMITED

UNAUDITED INCOME STATEMENT January - September 2018

	Unaudited Jul-Sep 18 £	**Unaudited Jul-Sep 17 £**	**Unaudited YTD £**	**Unaudited Prior YTD £**
REVENUE	**2 913 102**	3 249 618	8 098 523	8 598 293
Cost of Sale	**359 991**	**269 494**	**903 548**	**814 789**
Food	168 469	148619	496 038	448 361
Beverage	66 182	50006,97	160 491	119 714
Agent commisson	114 913	59125,27	221 043	222 229
Other	10 427	11742,82	25 977	24 485
GROSS PROFIT	2 553 111	2 980 124	7 194 975	7 783 504
Admistrative expenses	2 414 553	2 398 499	7 019 749	7 065 859
Profit /(loss) on ordinairy activities before taxation	**138 558**	**581 625**	**175 226**	**717 646**

SUNBORN (GIBRALTAR) RESORT LIMITED

Unaudited Balance Sheet as at 30 September 2018

	Unaudited 30 September 2018 £	Audited 31 December 2018
Tangible Fixed Assets	**246 733**	**109 630**
Current Assets		
Inventory	**119 245**	**123 862**
Trade & other receivables	**1 557 245**	**1 258 961**
Cash at Bank	**107 205**	**148 942**
	1 783 694	**1 531 765**
Current Liabilites		
Trade & other payables		
	2 918 230	**2 704 423**
Current Assets less Current Liablities	**(1 134 536)**	**(1 172 658)**
Total Assets less Current Liabilites	(887 802,75)	(1 063 028)
Capital & Reserve		
Share capital	**2 000**	**2 000**
Reserves	**(1 065 029)**	**(1 065 029)**
P&L Account	**175 226**	
	(887 802,75)	**(1 063 029)**

SUNBORN (GIBRALTAR) RESORT LIMITED

Statement of cashflow for nine Months to September 2018

	Unaudited YTD £
Operating profit	**175 226**
Adjusted for:	
Depreciation	**68 587**
Inventories (increase)/decrease	**4 617**
Other Creditors Increase / (decrease)	**213 807**
Other Debtors (Increase)/ decrease	**(298 284)**
Cashflow from Operating activities	**163 954**
Payment to accuire tanglibe fixed assets	**(205 690)**
Receipts from sale of fixed assets	**-**
Capital expenditure	**(205 690)**
Loans - net	**-**
Dividents	**-**
Funding	
Net decrease in Cash	**(41 736)**
Opening cash Balance	**148 942**
Closing cash Balance	**107 206**