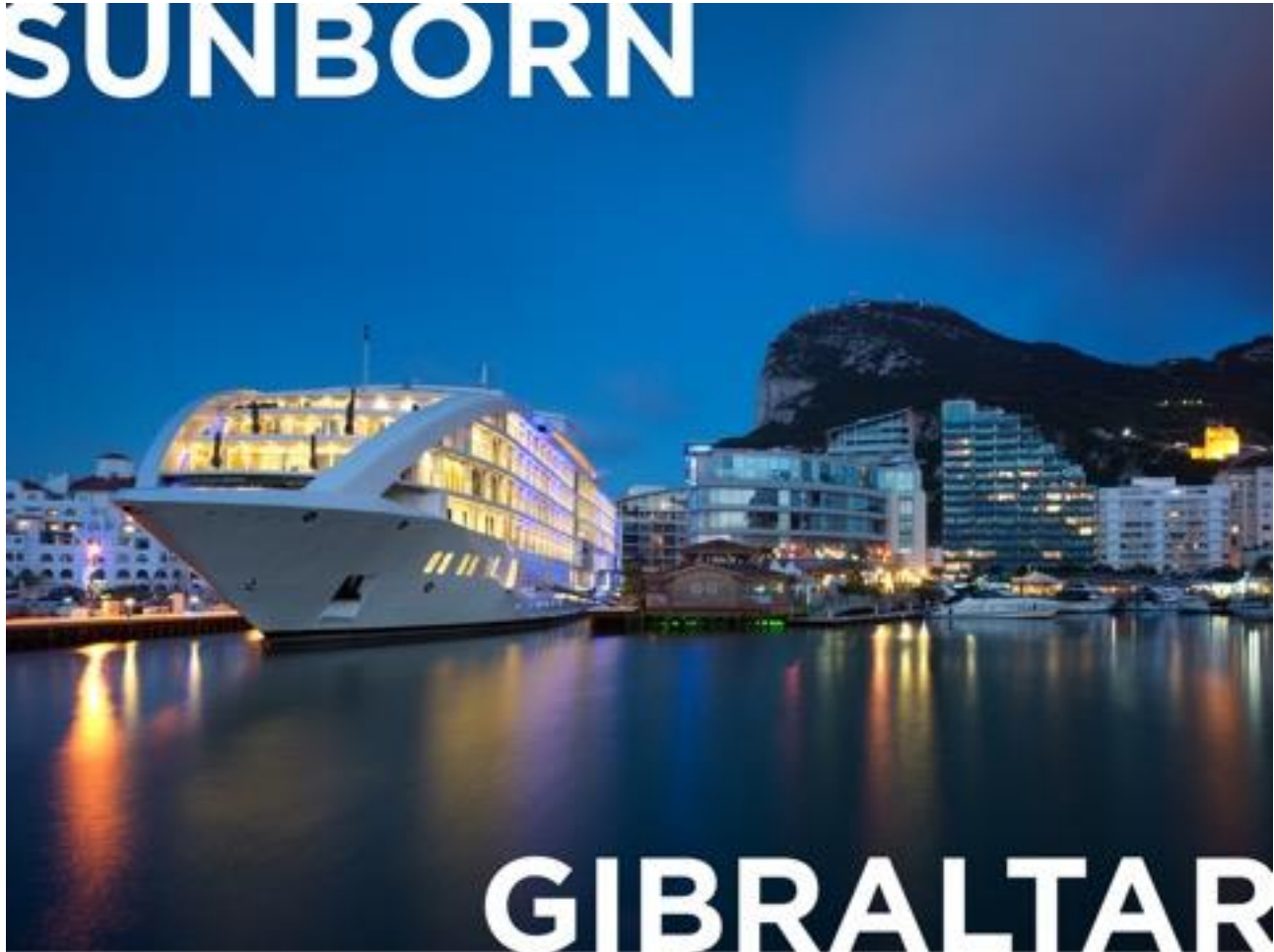


# SUNBORN



# GIBRALTAR



QUARTERLY FINANCIAL  
REPORT 1 January – 31 March  
2019 SUNBORN (GIBRALTAR)  
LIMITED

sunborn

**PERIOD ENDED 31 MARCH 2019 REPORT**

**Key Figures (IFRS) - Issuer Sunborn (Gibraltar) Plc**

GBP thousand	1 Jan – 31 Mar 2019	1 Jan – 31 Mar 2018	1 Jan – 31 Dec 2018
Rental income	795	750	3,180
EBITDA	746	708	2,984
Investment property (yacht hotel)	87,007	89,276	87,633
Total Equity	7,497	807	8,251
Bond	50,554	49,774	50,461

**Key Figures - Operator Sunborn (Gibraltar) Resort Ltd**

GBP thousand	1 Jan – 31 Mar 2019	1 Jan – 31 Mar 2018	1 Jan – 31 Dec 2018
Turnover	2,325	2,105	10,693
EBITDA before rent	578	431	3,106

**Chief Executive Director, Hans Niemi**

“Q1 2019 total turnover was £2,33M with an increase in rooms sold by +34 % YOY during the period. RevPar for the period experienced an increase of +10 % YOY. Q1 EBITDA increased +33 % YOY in £GBP and +21 % as a percentage. During the period, management continues to drive efforts towards BAR, MICE and Government segments in rooms. Food & Beverage is a major component of the total revenue increase as it experienced a +14 % increase over the same period last year. Brexit still plays a significant role in the purchase decision of both companies and individuals given the fact that the majority of overnight stays are generated from the UK.”

**Issuer Sunborn Gibraltar Ltd Financial summary 1 January - 31 March 2019**

Sunborn receives lease income from the operator company. Lease income was 0,80 M€ in 2018 (0,75 M€ in 2018). Costs were in line with previous year.

The value of the Yacht hotel is at 116,5 M€ according the latest valuation report.

**Operator Financial summary 1 January - 31 March 2019**

The bankruptcy of a major Monarch airline continued to have effects in 2019 but the flight volumes showed a positive change with arrivals up +22.2% overall YOY 2019/18. While compared to pre-monarch 2017 Q1 levels, the net effect was still behind -21% but a clear rebound is in sight. This is very positive and has a direct correlation with hotel occupancy.

Hotel Management redefined their multilevel strategy from 2018 in Q1 2019 to react to uncertainty within the market due to Brexit which has highly influenced the booking pattern within the leisure segment. Fortunately, with the delay of Brexit, we have seen reservations for rooms and meetings relieved from the hold position for the remainder of the year. The strategy has been to increase FIT base Revenues with running promotions which resulted in +31% YOY and a reduced rate for government business which resulted in a +97% YOY. The MICE segment sees a strong increase within F&B / Room hire Revenues 41% YOY.

With the exception of April, which was a challenging month due to Brexit and its subsequent postponing, management is optimistic about the expected performance of 2019 going forward.

### **Business environment**

No notable changes in the business environment.

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

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

The airline capacity showed increases YoY and further announcements have been made by carriers to the effect of increasing capacity further in Q2 2019.

### **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.

### **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 – 31 Mar 2019	1 Jan – 31 Mar 2018	1 Jan - 31 Dec 2018
Rental income from group companies	3	795	750	3,180
Depreciation	4	(630)	(877)	(2,522)
Other operating expenses		(49)	(42)	(196)
<b>Operating profit/(loss)</b>		<b>116</b>	<b>(169)</b>	<b>462</b>
Waiver of loan from holding company		-	-	10,000
Foreign exchange loss		-	-	(423)
Finance cost – amortisation of borrowing cost		(95)		(386)
Finance cost – group borrowings		(116)	(910)	(615)
Finance costs – bond & other borrowings		(659)		(2,672)
Finance costs, net		(870)	(910)	(4,096)
<b>Profit/(loss) before taxes</b>		<b>(754)</b>	<b>(1,079)</b>	<b>6,366</b>
Income tax expense		-	-	-
<b>Profit/(loss) for the period/year</b>		<b>(754)</b>	<b>(1,079)</b>	<b>6,366</b>
<b>Total comprehensive profit/ (loss) for the period/year</b>		<b>(754)</b>	<b>(1,079)</b>	<b>6,366</b>

**STATEMENT OF FINANCIAL POSITION**

GBP thousand	Note	31 March 2019	31 March 2018	31 December 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment property	4	87,007	89,276	87,633
Property plant and equipment	5	29	35	34
		<b>87,036</b>	89,311	87,667
<b>Current assets</b>				
Receivables from group companies		2,083	1,752	1,682
Other receivables		51	70	69
Cash and cash equivalents		1,068	1,251	1,366
Total current assets		<b>3,202</b>	3,073	3,117
Total assets		<b>90,238</b>	92,384	90,784
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	6	3	3	3
Share premium	6	15,604	15,604	15,604
Capital reserves	6	10,000	-	10,000
Retained loss		(18,110)	(14,801)	(17,356)
Total equity		<b>7,497</b>	806	8,251
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings from group companies		30,997	40,997	30,997
Borrowings	7	50,554	49,774	50,461
Total non-current liabilities		<b>81,551</b>	90,771	81,458
<b>Current liabilities</b>				
Payables to group companies		747	335	631
Other payables		443	472	444
Total current liabilities		<b>1,190</b>	807	1,075
Total liabilities		<b>82,741</b>	91,578	82,533
Total equity and liabilities		<b>90,238</b>	92,384	90,784

**STATEMENT OF CHANGES IN EQUITY**

GBP thousand	Share capital	Share premium	Capital reserve	Retained earnings	Total equity
<b>Equity at 1 Jan 2018</b>	3	15,604	-	(13,722)	1,885
Result for the period to 31 March 2018	-	-	-	(1,079)	(1,079)
<b>Total comprehensive income</b>	-	-	-	(1,079)	(1,079)
<b>Equity at 31 Mar 2018</b>	3	15,604	-	(14,801)	806
Result for the period to 31 Dec 2018	-	-	-	7,445	7,445
<b>Total comprehensive income</b>	-	-	-	7,445	7,445
Transfer from retained earnings to capital reserve account	-	-	10,000	(10,000)	-
<b>Equity at 31 Dec 2018</b>	3	15,604	10,000	(17,356)	8,251
Result for the period to 31 Mar 2019	-	-	-	(754)	(754)
<b>Total comprehensive income</b>	-	-	-	(754)	(754)
<b>Equity at 31 Mar 2019</b>	<b>3</b>	<b>15,604</b>	<b>10,000</b>	<b>18,110</b>	<b>7,497</b>

**STATEMENT OF CASH FLOWS**

GBP thousand	1 Jan - 31 Mar 2019	1 Jan - 31 Dec 2018
<b>Operating activities</b>		
Operating profit	116	462
<b>Adjustment for:</b>		
Depreciation	630	2,522
<b>Change in working capital:</b>		
Change in receivables from group companies	(401)	(445)
Change in other receivables	18	(17)
Change in payables to group companies	-	-
Change in other payables	-	71
Net cash flows generated from operations before interest payments	363	2,593
Interest paid	(659)	(2,672)
Net cash flows used in operations	(296)	(79)
Cash used in investing activities		
Additions in investment property	-	(35)
Purchase of property, plant and equipment	-	-
	-	(35)
Cash flows from financing activities		
Repayment of borrowings from Group company	-	(172)
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Transaction costs paid	(2)	(25)
Net cash flows from financing activities	(2)	(197)
Net (decrease)/increase in cash and cash equivalents	(298)	(311)
Cash and cash equivalents at 1 January	1,366	1,677
Cash and cash equivalents at 31 March/December	1,068	1,366



## NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

Sunborn (Gibraltar) Limited (the 'Company') is a private company limited by shares incorporated and registered in Gibraltar. The registered address of Sunborn (Gibraltar) Limited is 57/63 Line Wall Road, Gibraltar and its business address 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 three months to 31 March 2019 or during 2018. The Company is wholly owned by Sunborn Gibraltar Holdings Limited and its ultimate parent is Sunborn Oy, a company registered in Finland and owned by the Niemi family who are also based in Finland. Sunborn Oy focuses on the development of luxury spa and yacht hotels, restaurants and other high-quality property, and has more than 40 years of experience in the hospitality sector.

### 2. Summary of significant accounting policies

#### Basis of preparation

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

The preparation of the year-end financial report in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The actual outcomes may differ from these estimates and judgments. The most significant estimates made by the management relating to the accounting policies and uncertainties are the same as applied in the financial statements for the year 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.

#### New IFRS standards adopted by the Company

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

IFRS 16, *Leases* will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet by the lessees. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As the Company is currently acting as lessor in its one lease agreement, the 12 standard is expected not to have a material impact on the Company's financial statements. However, there will be new disclosure requirements. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

**Going concern**

The Company has incurred net losses since inception in 2013 and for the years ended 31 December 2017 and year to December 2018, the Company reported losses of £3.3m and £3.9m, 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 have been converted to company's equity.

The financial information in these financial statements has been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

After review of the future operating and financing costs of the Company in conjunction with the cash held at 31 December 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, which was refurbished into a Yacht hotel, to its sister company Sunborn (Gibraltar) Resort Limited. The lease term is 10 years with fixed monthly lease from 1 June 2017 and in force until terminated by the company subject to three months' prior notice.

**4. Investment property**

GBP thousand	<u>Vessel including improvements</u> £	<u>Furniture &amp; fittings</u> £	<u>Total</u> £
<b>Cost</b>			
At 1 January 2018	96,745	453	97,198
Additions	-	34	34
At 31 December 2018	96,745	487	97,232
Additions	-	-	-
At 31 March 2019	96,745	487	97,232
<b>Depreciation</b>			
At 31 December 2018	6,746	348	7,094
Charge for the year	2,477	28	2,505
At 31 December 2018	9,223	376	9,599
Charge for the period	619	7	626
At 31 March 2019	9,842	383	10,225
<b>Net book value</b>			
<b>At 31 March 2019</b>	<b>86,903</b>	<b>104</b>	<b>87,007</b>
At 31 December 2018	87,522	111	87,633
At 31 December 2017	90,000	104	90,104

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

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

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 at their estimated useful lives of 3 years.

**6. Equity & Capital Reserve**

Share Capital	As at 31 March 2018 and 31 December 2018	
	No.	£
Authorised, allotted, called up and fully paid shares of £1 each	<b>3,000</b>	3,000

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

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

**7. Borrowings— non-current liabilities**

Borrowings are analysed as follows:

GBP thousand	31 Mar 2019	31 Dec 2018
Wholly repayable within five years	<b>50,554</b>	50,461

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

5% senior secured bond of € 58,000,000 repayable on 5 September 2022	<b>51,882</b>	51,882
Less: transaction costs	<b>(1,328)</b>	(1,421)
	<b>50,554</b>	50,461

**7. Borrowings non-current liabilities - continued**

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

Fair value of the bonds equals the carrying amount 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.

**8. Related parties**

**Transactions with related parties**

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

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

	1 Jan -31 Mar 2019		1 Jan -31 Dec 2018	
	Income/(Expense)		Income/(Expense)	
GBP thousand				
Sunborn (Gibraltar) Resort		795		3,180
Sunborn International Oy		(116)		(373)
	31 Mar 2019		31 Dec 2018	
GBP thousand	Receivables	Liabilities	Receivables	Liabilities
Sunborn (Gibraltar) Resort	2,073		1,672	-
Sunborn (Gibraltar) Holdings	3		3	-
Casino Sunborn (Gibraltar)	7		7	-
Sunborn International Oy		31,649		31,533
Sunborn Oy		95		95
Sunborn London				-
<b>Total</b>	<b>2,083</b>	<b>31,744</b>	<b>1,682</b>	<b>31,628</b>

## Appendix 1

### Sunborn (Gibraltar) Resort Limited

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

##### Unaudited Income Statement

	Unaudited Three months ended 31 Mar 19	Unaudited Three months ended 31 Mar 18	Audited Year ended 31 Dec 18
<b>REVENUE</b>	2,324,581	2,104,642	10,693,332
<b>Cost of sales</b>			
Food	152,515	241,966	669,395
Beverage	42,095		231,064
Agent commission	74,625		301,337
Other	10,264		37,945
	279,499	241,966	1,239,741
<b>GROSS PROFIT</b>	2,045,082	1,862,676	9,453,591
<b>Administrative and other expenses</b>	(1,467,524)	(1,431,913)	(6,347,382)
<b>EBITDAR</b>	577,558	430,763	3,106,209
Rent cost due to related entity	(795,000)	(750,000)	(3,180,000)
Depreciation	(36,432)	(19,343)	(101,048)
Interest expense	(730)	-	(3,256)
<b>Result before tax</b>	(254,604)	(338,580)	(178,095)
Taxation	-	-	-
<b>Result for the period/year</b>	(254,604)	(338,580)	(178,095)

Unaudited Balance Sheet

	Unaudited 31 Mar 19 £	Unaudited 31 Mar 18 £	Audited 31 Dec 18 £
<b>Fixed assets</b>			
Tangible fixed assets	<u>283,747</u>	<u>118,898</u>	<u>291,522</u>
<b>Current Assets</b>			
Inventories	148,528	119,685	130,622
Trade and other receivables	1,677,495	1,533,579	1,377,984
Cash at bank	<u>180,731</u>	<u>40,536</u>	<u>28,949</u>
	<b>2,006,754</b>	<b>1,693,800</b>	<b>1,537,555</b>
<b>Current Liabilities</b>			
Trade and other payables	3,750,241	3,214,306	3,032,789
Finance lease obligation	<u>10,004</u>	<u>-</u>	<u>10,004</u>
	<b>3,760,245</b>	<b>3,214,306</b>	<b>3,042,793</b>
Current Assets less Current Liabilities	<b>(1,753,491)</b>	<b>(1,520,506)</b>	<b>(1,505,238)</b>
<b>Non-current liabilities</b>			
Finance lease obligation	25,984	-	27,408
<b>Total Assets less Liabilities</b>	<u><u><b>(1,495,728)</b></u></u>	<u><u><b>(1,401,608)</b></u></u>	<u><u><b>(1,241,124)</b></u></u>
<b>Capital and Reserves</b>			
Called up share capital	2,000	2,000	2,000
Profit & loss account	<u>(1,497,728)</u>	<u>(1,403,608)</u>	<u>(1,243,124)</u>
	<u><b>(1,495,728)</b></u>	<u><b>(1,401,608)</b></u>	<u><b>(1,241,124)</b></u>

Unaudited Statement of Cash Flows

	Unaudited Three months ended 31 Mar 19 £	Unaudited Three months ended 31 Mar 18 £	Audited Year ended 31 Dec 18 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating loss	(254,604)	(338,580)	(178,095)
Finance lease interest	730	0	3,256
Depreciation	36,432	19,343	101,048
Adjustment for:			
Movement in inventories	(17,906)	4,178	(6,760)
Increase in debtors	(299,511)	509,883	(119,023)
Increase in creditors	717,452	(274,618)	370,062
<b>Net cash inflow from operating activities</b>	<b>182,593</b>	<b>(79,794)</b>	<b>170,488</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets	(28,657)	(28,211)	(282,941)
<b>Cash flow from financing</b>			
Repayment of obligations under finance lease	(2,154)	-	(7,540)
<b>Taxation</b>			
Corporation tax paid	-	-	-
Increase/(Decrease) in cash	<b>151,782</b>	<b>(108,005)</b>	<b>(119,993)</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Cash at bank at 1 January	28,949	148,942	148,942
Cash at bank at 31 March/December	180,731	40,536	28,949
Increase/(Decrease) in cash	<b>151,782</b>	<b>(108,406)</b>	<b>(119,993)</b>