



QUARTERLY FINANCIAL REPORT
1 January – 31 March 2020
SUNBORN (GIBRALTAR) LIMITED

sunborn

CONTENTS

CONTENTS	2
PERIOD ENDED 31 MARCH 2020 REPORT	3
STATEMENT OF COMPREHENSIVE INCOME.....	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY.....	9
STATEMENT OF CASH FLOWS.....	10
NOTES TO THE FINANCIAL STATEMENTS.....	11
1. General information	11
2. Summary of significant accounting policies	11
3. Rental income from related parties	12
4. Investment property	13
5. Property, plant and equipment.....	14
6. Equity & Capital Reserve	14
7. Borrowings non-current liabilities.....	14
8. Related parties	15
9. Events after the balance sheet date	16
Appendix 1	17
Sunborn (Gibraltar) Resort Limited	
Unaudited Income Statement, Balance Sheet and Statement of Cash Flow	

PERIOD ENDED 31 MARCH 2020 REPORT

Key Figures Issuer Sunborn (Gibraltar) Limited

GBP thousand	1 Jan -31 Mar 2020	1 Jan -31 Mar 2019	1 Jan -31 Dec 2019
Rental income	795	795	3,180
EBITDA	742	746	2,974
Investment property (yacht hotel)	84,498	87,007	85,128
Total Equity	6,947	7,497	7,724
Bond	48,395	50,554	48,300

Key Figures Operator Sunborn (Gibraltar) Resort Limited

GBP thousand	1 Jan -31 Mar 2020	1 Jan -31 Mar 2019	1 Jan -31 Dec 2019
Turnover	1,412	2,325	10,764
EBITDAR	(12)	578	3,327

Chief Executive Director, Hans Niemi

“The performance and circumstances of the Sunborn Gibraltar operations in Q1 are both unexpected and unprecedented. The first two months of Q1 began quite similar to previous years with positive EBITDA figures in both months. In mid March the business encountered severe travel restrictions and a sudden government imposed lockdown of Gibraltar due to the pandemic. This led to the eventual winding down and freezing of normal hotel services by March 22. Therefore, the Q1 results came in far below expectations and resulted in negative trading with zero income with most of the costs intact towards the end of the period. Tourism and all operating businesses trading in Gibraltar have been impacted negatively during the period while the hospitality industry anxiously awaits the opening and recovery. Q1 occupancy reduced by -45 % YoY and Total revenue -39 %, EBITDA decreased £ -590k YoY.”

General

Sunborn Gibraltar Ltd owns a luxury yacht hotel “Sunborn Gibraltar” docked at Ocean Village in Gibraltar, which it has leased to its sister company Sunborn Gibraltar Resort Ltd. The hotel operations of the yacht hotel Sunborn Gibraltar are run by management company Sunborn Gibraltar Resort Ltd in accordance with the lease contract. The yacht hotel is equipped with 189 cabins, including 22 suites, conference and ball room facilities for up to 400 delegates, two major restaurants, three bars, casino and lounges inside the yacht hotel. Sunborn Gibraltar’s sole operation consists of acting as a lessor of the yacht hotel. Sunborn Gibraltar Ltd had no employees in 2020.

Issuer Sunborn Gibraltar Ltd Financial summary 1 January – 31 March 2020

Sunborn receives lease income from the management company. Lease income was £795K in 2020 (£795K in 2019).

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

Operator Financial summary 1 January – 31 March 2020

The performance and circumstances of the Sunborn Gibraltar operations in Q1 are both unexpected and unprecedented. The first two months of the year began quite similar to previous years with positive EBITDA figures in both months. However, the third month was impacted by severe travel restrictions and government-imposed lockdown due to the pandemic. This led to the eventual closure of the hotel on March 22. Therefore, the Q1 results came in far below expectations and resulted in negative trading with zero income toward the end of the period.

Business environment

Tourism and all operating businesses trading in Gibraltar have been impacted negatively during the period.

Even in this time of crisis, the hotel continues to maintain high levels of Guest satisfaction ratings reflected by Trip Advisor rating of #1, Booking.com rating of 9.0/10, Hotels.com rating of 9.2/10, Expedia.com 4.6/5 during the period and maintains the AA rating of Five Star for the hotel and 2 Rosettes for the main restaurant.

During the period, the number of airline movements decreased by -44,9% YoY and the number of passengers traveling to and from Gibraltar Airport were -56,6% YoY.

Notable events during and after the end of the reporting period and estimate future development

Covid-19

Pandemic related restrictions on normal business operation in Gibraltar started in March 13th and continue to be in force today. As the hotel is reliant on clients being able to travel via airlines and the Gibraltar-Spain land border, the business is unlikely to open for normal business until imposed restrictions on free movement of people, public gathering and food and beverage services are lifted. At the time of writing this report, the expectation for such position is in August 2020.

The majority of company employees have been made inactive under the government furloughing scheme since 1st April 2020 and are on stand by to commence operations at short notice. The company has implemented strict cost controls and frozen non-critical investments.

The ability of the operator to operate the business and pay rents normally during the closure and the subsequent recovery period has been negatively affected and as a result, Sunborn Gibraltar initiated a written procedure to request the bondholders to vote in favor of certain waivers and amendments of the terms and conditions of the bonds, as set out in the notice of written procedure published 15th May 2020 which can be found on the company's website: <https://www.sunborn.com/press>. The waivers would provide temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant. At the time of publishing this report, the consent solicitation agent has reported collecting voting undertakings (investors committing to vote in favor of the proposal) from certain larger investors in the bond over the minimum threshold 2/3 of aggregated amount of bonds. However, the formal voting deadline is 15th of June and the outcome of the vote will not be presented until after the deadline. Based on the consent solicitation progress, Sunborn Gibraltar Ltd management has great confidence the written procedure for the amendments and waivers will be accepted.

The government has published number of fiscal compensation programs for effected businesses for which the Operator is eligible including staff inactivity scheme (furloughing), deferral of utility payments, tax holidays and reduction and temporary elimination of employer's costs.

While the COVID-19 situation is an unprecedented scenario, the management is confident the property is well placed to continue operations normally upon the lifting of prohibitive restrictions regardless of the temporary closure and subsequent changes in the operating environment.

The Government of Gibraltar has created a Joint Ministerial team to work towards preparing Gibraltar for the Post Covid 19 world ; named Task Force Future which will be headed by Ministers of the Port, Financial Services & Gaming and Tourism. They are tasked with evaluating and preparing Gibraltar's private sector to be best positioned as and when the economy begins to return to normality

Brexit

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

Short-term risks and uncertainties

The COVID-19 outbreak is severely and negatively affecting the tourism market globally. As the company is reliant on the ability of the property operator to pay rent, recent temporary closure of the underlying business and the subsequent forecasted recovery period is likely to affect the performance of the operator in the short and medium term. Sunborn Gibraltar initiated a written procedure to request the bondholders to vote in favor of certain waivers and amendments of the terms and conditions of the bonds, as described above.

Without the absolute certainty of acceptance of the written procedure regardless of voting undertakings from investors, some uncertainty of final acceptance of the requested amendments remain, and if no resolution would be found, the Company's ability to service bond liabilities or adhering to all terms and conditions could be at risk. However, based on the consent solicitation progress, Sunborn Gibraltar Ltd management considers this a low risk and is confident the written procedure for the amendments and waivers will be accepted.

Sunborn Gibraltar is working to raise additional working capital from parent group and secure loans in addition to working with the government on fiscal and other support schemes to assist the industry through this crisis. The availability of additional working capital, loans and fiscal support is uncertain and should the disruption and business restrictions continue without additional capital resources available, the going concern of the company may have material uncertainty.

Prolonged COVID-19 restrictions could further impact the Company's business through continued negative impact on the operator. The impact of the unprecedented crisis is difficult to predict, and it is unknown when the recovery of the affected businesses will take place. Prolonged crisis could also in the long term impact the fair value of the hotels the Company holds as investment property.

Sunborn Gibraltar's financial risks related to business are market risk (including interest rate risk), credit risk, liquidity risk, refinancing risk and business interruption due to incidents relating to environmental and or public health risks. Floating interest rate risk has not been hedged.

The Company is exposed to foreign currency risk through rental receivables and future cash flows arising from the lease contract of the Yacht hotel that is denominated in GBP. The management of the company closely monitors the development of the GBP/EUR exchange rate and aims to protect the Company against unfavorable developments at the group level.

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

Financial risk management carried out by the management of the Company aims to protect the Company against unfavorable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

STATEMENT OF COMPREHENSIVE INCOME

GBP thousand	Note	1 Jan -31 Mar 2020	1 Jan -31 Mar 2019	1 Jan - 31 Dec 2019
Rental income from group companies	3	795	795	3,180
Depreciation	4	(630)	(630)	(2,522)
Other operating expenses		(53)	(49)	(206)
Operating profit		111	116	452
Waiver of loan from holding company			-	
Foreign exchange loss/gain		(4)	-	2,540
Finance cost - amortisation of borrowing cost		(95)	(95)	(386)
Finance cost - group borrowings		(116)	(116)	(465)
Finance costs - other borrowings		(674)	(659)	(2,668)
Finance costs, net		(889)	(870)	(979)
Profit/(loss) before taxes		(777)	(754)	(527)
Income tax expense		-	-	-
Profit/(loss) for the period		(777)	(754)	(527)
Total comprehensive income/(loss) for the period		(777)	(754)	(527)

STATEMENT OF FINANCIAL POSITION

GBP thousand	Note	31 March 2020	31 March 2019	31 December 2019
ASSETS				
Non-current assets				
Investment property	4	84,498	87,007	85,128
Property plant and equipment	5	12	29	17
		84,510	87,036	85,145
Current assets				
Receivables from group companies		2,432	2,083	1,943
Other Receivables		275	51	334
Cash and cash equivalents		668	1,068	1,061
Total current assets		3,375	3,202	3,338
Total assets		87,885	90,238	88,483
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	6	3	3	3
Share premium	6	15,604	15,604	15,604
Capital reserves	6	10,000	10,000	10,000
Retained result		(18,660)	(18,110)	(17,883)
Total equity		6,947	7,497	7,724
LIABILITIES				
Non-current liabilities				
Borrowings		30,997	30,997	30,997
		48,395	50,554	48,300
Total non-current liabilities		79,392	81,551	79,297
Current liabilities				
Payables to group companies		1,285	747	1093
Other payables		261	443	369
Total current liabilities		1,546	1,190	1,462
Total liabilities		80,938	82,741	80,759
Total equity and liabilities		87,885	90,238	88,483

STATEMENT OF CHANGES IN EQUITY

GBP thousand	Share capital	Share premium	Capital reserve	Retained earnings	Total equity
Equity at 1 Jan 2018	3	15,604	-	(13,722)	1,885
Result for the period to 31 Dec 2018	-	-	-	6,366	6,366
Total comprehensive income for the year	-	-	-	6,366	6,366
Transfer from retained earnings to capital reserve acco	-	-	10,000	(10,000)	-
Equity at 31 Dec 2018	3	15,604	10,000	(17,356)	8,251
Result for the period to 30 Dec 2019	-	-	-	(527)	(527)
Total comprehensive income for the period	-	-	-	(527)	(527)
Equity at 31 December 2019	3	15,604	10,000	(17,883)	7,724
Result for the period to 31 March 2020	-	-	-	(777)	(777)
Total comprehensive income for the period	-	-	-	(777)	(777)
Equity at 31 March 2020	3	15,604	10,000	(18,660)	6,947

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

GBP thousand	1 Jan - 31 Mar 2020	1 Jan - 31 Dec 2019
Operating activities		
Operating profit	111	452
Adjustment for:		
Depreciation	630	2,522
Net foreign exchange differences	-	-
Change in working capital:		
Change in receivables from group companies	(489)	(261)
Change in other receivables	59	(265)
Change in payables to group companies	192	(3)
Change in other payables	(108)	(75)
Net cash flows generated from operations before interest payments	396	2,370
Interest paid	(674)	(2,668)
Net cash flows used in operations	(278)	(298)
Cash used in investing activities		
Additions in investment property		-
Purchase of property, plant and equipment	-	-
Cash flows from financing activities		
Repayment of borrowings from Group company	(116)	-
Transaction costs paid	-	(7)
Net cash flows from financing activities	(116)	(7)
Net (decrease)/increase in cash and cash equivalents	(394)	(305)
Cash and cash equivalents at 1 January	1,061	1,366
Cash and cash equivalents at 31 March /December	667	1,061

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Sunborn (Gibraltar) Limited (the 'Company') is a private company limited by shares incorporated and registered in Gibraltar. The registered address of Sunborn (Gibraltar) Limited is 57/63 Line Wall Road, Gibraltar and its business address: 35 Ocean Village Promenade, Gibraltar, GX111AA. Sunborn (Gibraltar) Limited owns a luxury yacht hotel docked at Ocean Village in Gibraltar, which it has leased to its sister company Sunborn (Gibraltar) Resort Limited, who runs the operations in accordance with a lease contract. The Yacht hotel is equipped with 189 cabins, including 22 suites. There are also conference facilities for up to 400 delegates, restaurants, bars fitness center, spa and lounges inside the Yacht hotel. The Company had no employees during the nine months to 30 September 2019 or during 2018. The Company is wholly owned by Sunborn Gibraltar Holdings Limited and its ultimate parent is Sunborn Oy, a company registered in Finland and owned by the Niemi family who are also based in Finland. Sunborn Oy focuses on the development of luxury spa and yacht hotels, restaurants and other high-quality property, and has more than 40 years of experience in the hospitality sector.

2. Summary of significant accounting policies

Basis of preparation

This condensed interim financial report for three months ended March 31, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 interim Financial Reporting, as adopted by the European Union.

The condensed interim year financial report does not include all the information and notes that are presented in the annual financial statements and should be read in conjunction with the consolidated financial statements for year ended 31 December 2019.

The accounting policies and measurement principles remain unchanged in comparison with as has been presented in Note 2 in the Annual Report 2019.

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.

Going concern

Covid-19

Since 13th March 2020, the spread of the coronavirus (COVID-19) has led to unprecedented and gradually worsening business situation in the hospitality sector all over the world including Gibraltar. COVID-19 impacts Sunborn Gibraltar Ltd through the operator Sunborn Gibraltar Resort Ltd's ability to pay the agreed rental payments. The operator has been forced to temporarily place normal hotel and restaurant operations on standby while government has issued restrictions on travel, public gatherings and the hospitality sector. As a result, Sunborn Gibraltar Ltd initiated a written procedure to request the bondholders to vote in favor of certain waivers and amendments of the terms and conditions of the bonds, as set out in the notice of written procedure published 15th May 2020. The waivers would provide temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant. The expected reliefs can be directly used to support the operations of Sunborn Gibraltar Resort. At the time of publishing this report, the consent solicitation agent has reported collecting voting undertakings (investors committing to vote

in favor of the proposal) from certain larger investors in the bond over the minimum threshold 2/3 of aggregated amount of bonds. Based on the consent solicitation progress, Sunborn Gibraltar Ltd management is confident the written procedure for the amendments and waivers will be accepted. With the expected approval of the bond amendments, management views the Company is in a strong position to overcome the short-term difficulties in the market and ready to resume operations. As the management is expecting that an agreement with the bondholders will be reached, the Company has not required rent payments from Sunborn Gibraltar Resort during April and May 2020 in accordance with the original bond terms.

Prolonged COVID-19 restrictions could further impact the Company's business through continued negative impact on the operator and ability of clients to travel. The impact of the unprecedented crisis is difficult to predict and it is unknown when the recovery of the hospitality and travel industry will take place.

In addition to amendments to the terms of the long term financing Sunborn Gibraltar is in process to raise additional working capital from parent group and secure working capital loans in addition to working with the government on fiscal and other support schemes to assist the company and industry through this crisis. The availability of additional working capital, loans and fiscal support is uncertain and should the disruption and business restrictions continue without additional capital resources being made available, the going concern of the company may have material uncertainty.

Net losses

The Company has incurred net losses since inception and the losses consist mainly of depreciation of the vessel and unrealized foreign 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. 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

	<u>Vessel</u> <u>incl improvements</u>	<u>Furniture</u> <u>& Fittings</u>	<u>Total</u>
GBP thousand			
Cost			
At 01 January 2018	101,993	453	102,446
Additions	-	34	34
At 31 December 2018	101,993	487	102,480
Additions	-	-	-
At 31 December 2019	101,993	487	102,480
Additions	-	-	-
At 31 March 2020	101,993	487	102,480
Depreciation			
At 31 December 2018	14,471	376	14,847
Charge for the period	2,477	28	2,505
At 31 December 2019	16,948	404	17,352
Charge for the period	623	7	630
At 31 March 2020	17,571	411	17,982
Net book value			
At 31 March 2020	84,422	76	84,498
At 31 December 2019	85,045	83	85,128
At 31 December 2018	87,522	111	87,633
At 01 January 2018	90,000	104	90,104

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

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

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

Depreciation is calculated using the straight-line method to allocate the cost to the residual value over their estimated useful lives. The estimated useful life of the vessel divided to its significant components is presented in the table below:

Vessel	- 40 years
Vessel improvements	- shorter of remaining life of the vessel or useful life of the vessel improvement (3 to 25 years)
Furniture and fittings	- 10 years

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 Mar 2020
and 31 December 2019
No. £

Authorised, allotted, called up and
fully paid shares of £1 each

3,000 3,000

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

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

7. Borrowings non-current liabilities

Borrowings are analysed as follows:

GBP thousand	31 Mar 2020	31 Dec 2019
Wholly repayable within five years	48,395	48,300

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

5% senior secured bond of € 58,000,000

repayable on 5 September 2022

Less: transaction costs

49,341 49,341
(946) (1,041)

48,395 48,300

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

Fair value of the bonds equals the carrying amount.

Collaterals and guarantee given

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

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

The bond terms include an asset cover ratio covenant, which requires the Company to maintain the asset cover ratio of minimum 140.0 %. The covenant is calculated based on the market value of the Yacht Hotel calculated by approved valuator appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company.

The bond terms include also a cash requirement covenant, which requires the Company to maintain the cash minimum of upcoming 3 months interest payment. The bond terms include an interest cover ratio covenant, which requires the Company to generate EBITDA minimum of 1.1 times the interest. Covenants are tested on a quarterly basis.

The Company has started and is final stages of written procedure for amendments of the bond terms and conditions.

8. Related parties

Transactions with related parties

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

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

	Income/(Expense)		
	1 Jan – 31 Mar 2020	1 Jan – 31 Mar 2019	1 Jan – 31 Dec 2019
GBP thousand			
Sunborn (Gibraltar) Resort	795	795	3,180
Sunborn International Oy	(116)	(116)	(464)

GBP thousand	31 Mar 2020		31 Dec 2019	
	Receivables	Liabilities	Receivables	Liabilities
Sunborn (Gibraltar) Resort	2,393	85	1,904	-
Sunborn (Gibraltar) Holdings	3		3	-
Casino Sunborn (Gibraltar)	7		7	-
Sunborn International UK	29		29	
Sunborn International Oy		32,102		31,995
Sunborn Oy		95		95
Total	2,432	32,282	1,943	32,090

9. Events after the balance sheet date

Since 13th March 2020, the spread of the coronavirus (COVID-19) has led to unprecedented and gradually worsening business situation in the hospitality sector all over the world including Gibraltar. COVID-19 impacts Sunborn Gibraltar Ltd through the operator Sunborn Gibraltar Resort Ltd's ability to pay the agreed rental payments. The operator has been forced to put all hotel and restaurant operations on standby while government has issued restrictions on travel, public gatherings and the hospitality sector. As a result, Sunborn Gibraltar Ltd initiated a written procedure to request the bondholders to vote in favor of certain waivers and amendments of the terms and conditions of the bonds, as set out in the notice of written procedure published 15th May 2020. The waivers would provide temporary relief on interest coverage ratio, minimum cash covenant and lease payment covenant. The expected reliefs can be directly used to support the operations of Sunborn Gibraltar Resort. At the time of publishing this report, the consent solicitation agent has reported collecting voting undertakings (investors committing to vote in favor of the proposal) from certain larger investors in the bond over the minimum threshold 2/3 of aggregated amount of bonds. Based on the consent solicitation progress, Sunborn Gibraltar Ltd management is confident the written procedure for the amendments and waivers will be accepted. With the expected approval of the bond amendments, management views the Company is in a strong position to overcome the short-term difficulties in the market and ready to resume operations. As the management is expecting that an agreement with the bondholders will be reached, the Company has not required rent payments from Sunborn Gibraltar Resort during April and May 2020 in accordance with the original bond terms.

Prolonged COVID-19 restrictions could further impact the Company's business through continued negative impact on the operator and ability of clients to travel. The impact of the unprecedented crisis is difficult to predict and it is unknown when the recovery of the hospitality and travel industry will take place.

In addition to amendments to the terms of the long term financing Sunborn Gibraltar is in process to raise additional working capital from parent group and secure working capital loans in addition to working with the government on fiscal and other support schemes to assist the company and industry through this crisis.

Appendix 1

Sunborn (Gibraltar) Resort Limited

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

Unaudited Income Statement

GBP thousand

	Unaudited 31 Mar 20	Unaudited 31 Mar 19	Unaudited 31 Dec 19
REVENUE	1,412	2,325	10,764
Cost of sales			
Food	90	153	617
Beverage	26	42	232
Agent commission	38	75	328
Other	13	10	81
	166	279	1,258
GROSS PROFIT	1,246	2,045	9,506
Administrative and other expenses	(1,258)	(1,468)	(6,178)
EBITDAR	(12)	578	3,328
Rent cost due to related entity	(795)	(795)	(3,180)
Depreciation	(33)	(36)	(145)
Interest expense	(1)	(1)	(3)
Result before tax	(840)	(255)	0.2
Taxation			
Result for the year	(840)	(255)	0.2

Unaudited Balance Sheet

GBP thousand

	Unaudited 31 Mar20 £	Unaudited 31 Mar 19 £	Unaudited 31 Dec 19 £
Fixed assets			
Tangible fixed assets	<u>184</u>	<u>284</u>	<u>204</u>
Current Assets			
Inventories	129	149	133
Trade and other receivables	1,173	1,677	1,559
Cash at bank	<u>81</u>	<u>181</u>	<u>81</u>
	1,383	2,007	1,773
Current Liabilities			
Trade and other payables	3,622	3,750	3,191
Finance lease obligation	<u>11</u>	<u>10</u>	<u>11</u>
	3,632	3,760	3,202
Current Assets less Current Liabilities	(2,249)	(1,753)	(1,429)
Non-current liabilities			
Finance lease obligation	17	26	17
Total Assets less Liabilities	<u>(2,081)</u>	<u>(1,496)</u>	<u>(1,241)</u>
Capital and Reserves			
Called up share capital	2	2	2
Profit & loss account	(2,083)	(1,498)	(1,243)
	<u>(2,081)</u>	<u>(1,496)</u>	<u>(1,241)</u>

Unaudited Statement of Cash Flows
GBP thousand

Statement of Cash Flows quarter ended 31 March 2020

	Unaudited period ended 31 Mar20 £	Unaudited period ended 31 Mar 19 £	Unaudited Year ended 31-Dec-19 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit/(loss)	(840)	(255)	0
Finance lease interest	1	1	3
Operating profit/ (loss)	(840)	(254)	3
Depreciation	33	36	145
Movement in inventories	4	(18)	(3)
Increase in debtors	385	(300)	(181)
Increase in creditors	431	717	158
Net cash inflow from operating activities	13	183	123
Cash flow from investing activities			
Purchase of tangible fixed assets	(11)	(29)	(58)
Cash flow from financing			
Repayment of obligations under finance lease	(2)	(2)	(13)
Taxation			
Corporation tax paid	-	-	-
Increase/(decrease) in cash	0	152	52
Reconciliation of net cash flow to movement in net funds			
Cash at bank at 1 January	81	29	29
Cash at bank at 31 December	81	181	81
Increase/(decrease) in cash in year	0	152	52