

# SUNBORN GIBRALTAR



Gibraltar's Leading  
Hotel



**QUARTERLY FINANCIAL REPORT**  
**1 July – 30 September 2019**  
**SUNBORN (GIBRALTAR) LIMITED**

**sunborn**

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Sunborn (Gibraltar) Resort Limited Unaudited Income Statement, Balance Sheet and Statement of Cash Flow	

**PERIOD ENDED 30 SEPTEMBER 2019 REPORT**

GBP thousand	1 Jul-30 Sep 2019	1 Jul-30 Sep 2018	1 Jan -30 Sep 2019	1 Jan -30 Sep 2018	1 jan- 31 Dec 2018
Rental income	795	750	2 385	2 250	3 180
EBITDA	746	702	2 250	2 111	2 984
Investment property (yacht hotel)	85 665	88 019	85 665	88 019	87 522
Total Equity			5 966		8 251
Bond			50 763		50 461

**Key Figures Operator Sunborn (Gibraltar) Resort Limited**

GBP thousand	1 Jul-30 Sep 2019	1 Jul-30 Sep 2018	1 Jan -30 Jun 2019	1 Jan -30 Jun 2018	1 jan- 31 Dec 2018
Turnover	3 131	2 913	8 473	8 099	10 693
EBITDAR	1 160	918	2 811	2 495	3 106

**Chief Executive Director, Hans Niemi**

“Each month of Q3 2019 total turnover outperformed last year, resulting in a +7% increase YoY. YTD increase in occupancy with rooms sold cumulative of +15 % YoY. RevPar for the period experienced an increase of +8 % YoY. Q3 Total EBITDA increased +26 % YoY. During the period, management continued to drive efforts towards BAR, MICE and Government segments in rooms for the autumn and winter months”.

**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 has no employees.

The company prepares its accounts and quarterly reporting in accordance with IFRS and made available according to the rules and regulations of NASDAQ Stockholm.

**PERIOD ENDED 30 SEPTEMBER 2019 REPORT – Continued****Issuer Sunborn Gibraltar Ltd Financial summary 1 January – 30 September 2019**

Sunborn receives lease income from the management company. Lease income was 2.385 M€ in 2019 (2.25 M€ in 2018).

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

**Operator Financial summary 1 July - 30 September 2019**

The flight volumes are continuing positive change with the number of passengers up 7,7 % during the period YoY however not quite as high as H1 reported where even double digit levels were experienced. However, this is still very positive and has a direct correlation with our hotel occupancy.

Brexit continues to play a significant role in the leisure segment. Management renegotiated new arrangements with some larger corporate accounts which has positively affected this segment occupancy by +27 % YoY.

Management strategy has continued to seek higher room occupancy and business on the books is slightly up at +3,5 % compared YoY. The MICE and Government segments continue to show increases YoY and is expected to continue into the remainder of the year.

**Business environment**

Month of November is expected to have some disruption from a published Brexit date, other than this we see 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.

During the period, the number of airline movements increased 11,6 % YoY for the same months.

**Notable events during and after the end of the reporting period**

The International Island Games occurred in July over a 10 day period with an estimated 2,000 athletes participating.

During the month of August, the hotel experienced a power surge generated by a damaged powerline and incident at a nearby building construction. This is an insured event and management is working with our insurers for recovery and repair of damages to equipment onboard.

**Estimate future development**

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

**PERIOD ENDED 30 SEPTEMBER 2019 REPORT – Continued****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.

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	<b>1 Jul – 30 Sep 2019</b>	1 Jul – 30 Sep 2018	1 Jan – 30 Sep 2019	1 Jan – 30 Sep 2018	Audited 1 Jan - 31 Dec 2018
Rental income from group companies	3	<b>795</b>	750	2 385	2 250	3 180
Depreciation	4	<b>(630)</b>	(878)	(1 891)	(2 133)	(2 522)
Other operating expenses		<b>(49)</b>	(47)	(135)	(141)	(196)
<b>Operating profit/(loss)</b>		<b>116</b>	<b>(175)</b>	<b>359</b>	<b>(24)</b>	<b>462</b>
Waiver of loan from holding company		-	-	-	-	10 000
Foreign exchange loss				<b>(16)</b>		(423)
Finance cost – amortisation of borrowing cost		<b>(97)</b>	(927)	(289)	(2 757)	(386)
Finance cost – group borrowings		<b>(116)</b>	0	(349)		(615)
Finance costs – bond & other borrowings		<b>(676)</b>	0	(1 990)		(2 672)
Finance costs, net		<b>(889)</b>	(927)	(2 644)	(2 757)	(4 096)
<b>Profit/(loss) before taxes</b>		<b>(773)</b>	(1 102)	(2 285)	(2 781)	6 366
Income tax expense		-	-	-		-
<b>Profit/(loss) for the period/year</b>		<b>(773)</b>	<b>(1 102)</b>	<b>(2 285)</b>	<b>(2 781)</b>	<b>6 366</b>
<b>Total comprehensive profit/ (loss) for the period/year</b>		<b>(773)</b>	<b>(1 102)</b>	<b>(2 285)</b>	<b>(2 781)</b>	<b>6 366</b>

**STATEMENT OF FINANCIAL POSITION**

GBP thousand	Note	30 September 2019	31 December 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property		85,665	87,522
Property plant and equipment		173	145
	4	85,838	87,667
<b>Current assets</b>			
Receivables from group companies		1,956	1,682
Other Receivables		196	69
Cash and cash equivalents		1,193	1,366
Total current assets		3,345	3,117
Total assets		89,183	90,784
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	6	3	3
Share premium	6	15,604	15,604
Capital reserves	6	10,000	10,000
Retained result		( 19,641)	( 17,356)
Total equity		5,966	8,251
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Payables to group companies	8	31,976	30,997
Borrowings	7	50,763	50,461
Total non-current liabilities		82,739	81,458
<b>Current liabilities</b>			
Payables to group companies	8	109	631
Other payables		369	444
Total current liabilities		478	1,075
Total liabilities		83,217	82,533
Total equity and liabilities		89,183	90,784

**STATEMENT OF CHANGES IN EQUITY**

GBP thousand	Share capital	Share premium	Capital reserve	Retained earnings	<b>Total equity</b>
<b>Equity at 1 Jan 2018</b>	3	15,604	-	( 13,722)	1,885
<b>Result for the period ended 30 Sep 2018</b>	-	-	-	( 2,781)	( 1,680)
<b>Equity at 30 September 2018</b>	3	15,604	-	( 16,503)	<b>( 896)</b>
Result for the period to 31 Dec 2018	-	-	-	8,046	8,046
<b>Total comprehensive income for the year</b>	-	-	-	<b>6,366</b>	<b>6,366</b>
Transfer from retained earnings to capital reserve account	-	-	10,000	(10,000)	-
Equity at 31 Dec 2018	3	15,604	10,000	( 17,356)	8,251
Result for the period to 30 Sep 2019	-	-	-	( 2,285)	( 2,285)
<b>Total comprehensive income for the period</b>	-	-	-	<b>( 2,285)</b>	<b>( 2,285)</b>
<b>Equity at 30 September 2019</b>	<b>3</b>	<b>15,604</b>	<b>10,000</b>	<b>( 19,641)</b>	<b>5,966</b>



**STATEMENT OF CASH FLOWS**

GBP thousand	1 Jan – 30 Sep 2019	1 Jan – 30 Sep 2018	1 Jan - 31 Dec 2018
<b>Operating activities</b>			
Operating profit	359	(314)	462
<b>Adjustment for:</b>			
Depreciation	1,891	2,133	2,522
<b>Change in working capital:</b>			
Change in receivables from group companies	(274)	(162)	(445)
Change in other receivables	(127)	(181)	(17)
Change in payables to group companies	105	229	-
Change in other payables	(75)	104	71
Net cash flows generated from operations before interest payments	1,879	1,803	2,593
Interest paid	(1,990)	(1,978)	(2,672)
Net cash flows used in operations	(111)	(175)	(79)
Cash used in investing activities			
Additions in tangible assets	(62)	(35)	(35)
Cash flows from financing activities			
Repayment of borrowings from Group company	-	-	(172)
Transaction costs paid	-	-	(25)
Net cash flows from financing activities	-	-	(197)
Net (decrease)/increase in cash and cash equivalents	(173)	(210)	(311)
Cash and cash equivalents at 1 January	1,366	1,677	1,677
Cash and cash equivalents at 30 Sep/December	1,193	1,467	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 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 financial report for the period ended 30 September 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 2018.

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 quarterly financial report is unaudited.

**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* are affected primarily the accounting by lessees and resulted in the recognition of almost all leases on balance sheet by the lessees. The accounting by lessors are not significantly changed. 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 standard has had no material impact on the Company's financial statements. However, there are 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. 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 30 September 2019, 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**

	<u>Vessel</u> <u>incl improvements</u>	<u>Furniture</u> <u>&amp; Fittings</u>	<u>Total</u>
GBP thousand			
<b>Cost</b>			
At 1 January 2017	96,745	453	97,198
Additions	-	35	35
At 31 December 2017	96,745	488	97,233
Additions	-	50	50
At 31 December 2018	96,745	538	97,283
Additions	-	62	62
At 30 September 2019	96,745	600	97,345
<b>Depreciation</b>			
At 31 December 2017	6,746	348	7,094
Charge for the period	2,477	45	2,522
At 31 December 2018	9,223	393	9,616
Charge for the period	1,857	34	1,891
At 30 September 2019	11,080	427	11,507
<b>Net book value</b>			
<b>At 30 September 2019</b>	<b>85,665</b>	<b>173</b>	<b>85,838</b>
At 31 December 2018	87,522	145	87,667
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.

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

**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 30 September 2019 and 31 December 2018	
	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	30 Sep 2019	31 Dec 2018
Wholly repayable within five years	<b>50,763</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>51,898</b>	51,882
Less: transaction costs	<b>(1,135)</b>	(1,421)
	<b>50,763</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.

*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:

GBP thousand	Income/(Expense)				
	1 Jul – 30 Sep 2019	1 Jul – 30 Sep 2018	1 Jan-30 Sep 2019	1 Jan – 30 Sep 2018	1 Jan – 31 Dec 2018
Sunborn (Gibraltar) Resort	795	750	2,385	2,250	3,180
Sunborn International Oy	(116)	(153)	(348)	(307)	(615)

GBP thousand	30 Sep 2019		31 Dec 2018	
	Receivables	Liabilities	Receivables	Liabilities
Sunborn (Gibraltar) Resort	1,946	109	1,672	-
Sunborn (Gibraltar) Holdings	3		3	-
Casino Sunborn (Gibraltar)	7		7	-
Sunborn International Oy		31,881		31,533
Sunborn Oy		95		95
<b>Total</b>	<b>1,956</b>	<b>32,085</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 3 months ended 30 Sep 19	Unaudited 3 months ended 30 Sep 18	Unaudited 9 months ended 30 Sep 19	Unaudited 9 months ended 30 Sep 18	Audited Year ended 31 Dec 18
<b>REVENUE</b>	3,131,324	2,913,102	8,472,931	8,098,523	10,693,332
<b>Cost of sales</b>					
Food	140,424	168,469	467,419	496,038	669,395
Beverage	61,376	66,182	176,236	160,491	231,064
Agent commission	102,001	114,913	245,900	221,043	301,337
Other	31,956	10,427	58,631	25,977	37,945
	335,757	359,991	948,187	903,548	1,239,741
<b>GROSS PROFIT</b>	2,795,567	2,553,111	7,524,744	7,194,975	9,453,591
Administrative and other expenses	( 1,634,787)	( 1,634,676)	( 4,713,937)	( 4,700,328)	( 6,347,382)
<b>EBITDAR</b>	<b>1,160,780</b>	<b>918,435</b>	<b>2,810,807</b>	<b>2,494,647</b>	<b>3,106,209</b>
Rent cost due to related entity	( 795,000)	( 750,000)	( 2,385,000)	( 2,250,000)	( 3,180,000)
Depreciation	37,674	29,043	110,785	68,587	101,048
Interest expense	730	834	2,191	834	3,256
<b>Result before tax</b>	327,375	138,558	312,831	175,226	( 178,095)
Taxation		-			-
<b>Result for period/year</b>	<b>327,375</b>	<b>138,558</b>	<b>312,831</b>	<b>175,226</b>	<b>( 178,095)</b>

Unaudited Balance Sheet

	Unaudited 30 Sep 19 £	Unaudited 31 Dec 18 £
<b>Fixed Assets</b>		
Tangible fixed assets	<u>234,616</u>	<u>291,522</u>
<b>Current Assets</b>		
Inventories	129,328	130,622
Trade and other receivables	1,361,629	1,377,984
Cash at bank	<u>307,373</u>	<u>28,949</u>
	1,798,330	1,537,555
<b>Current Liabilities</b>		
Trade and other payables	2,926,861	3,032,789
Finance lease obligation	<u>10,000</u>	<u>10,004</u>
	2,936,861	3,042,793
Current Assets less Current Liabilities	( 1,138,531)	( 1,505,238)
<b>Non- current Liabilities</b>		
Finance lease obligation	24,469	27,408
<b>Total Assets less Liabilities</b>	<u><u>( 928,383)</u></u>	<u><u>( 1,241,124)</u></u>
Capital and Reserves		
Called up share capital	2,000	2,000
Profit & Loss account	( 930,383)	( 1,243,124)
	<u><u>( 928,383)</u></u>	<u><u>( 1,241,124)</u></u>



Unaudited Statement of Cash Flows

	Unaudited Nine months ended 30 Sep 19 £	Unaudited Nine months ended 30 Sep 18 £	Audited Year ended 31-Dec-18 £
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating result	312,831	175,226	(178,095)
Depreciation	110,785	68,587	101,048
Adjustment for:			
Movement in inventories	1,199	4,617	(6,760)
Increase (Decrease) in debtors	16,355	213,807	(119,023)
(Increase)Decrease in creditors	(105,928)	(298,284)	370,062
Net cash inflow from operating activities	<u>335,242</u>	<u>163,954</u>	<u>167,232</u>
Cash flow from investing activities			
<b>Purchase of tangible fixed assets</b>	(53,879)	(205,690)	(282,941)
Cash flow from financing			
<b>Repayment of obligations under finance lease</b>	(2,939)	-	(4,284)
Taxation			
<b>Corporation tax paid</b>	-	-	-
Increase (Decrease) in cash	<u><b>278,424</b></u>	<u><b>(41,736)</b></u>	<u><b>(119,993)</b></u>
<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 30 September/December	<u>307,373</u>	<u>107,206</u>	<u>28,949</u>
Increase (Decrease) in cash	<u><b>278,424</b></u>	<u><b>(41,736)</b></u>	<u><b>(119,993)</b></u>