SUNBORN INTERNATIONAL (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANY NUMBER 03843168

Contents Of The Financial Statements

SUNBORN INTERNATIONAL (UK) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2019

Directors:	Pekka Niemi Hans Niemi
Secretary:	Goodwille Limited
Registered office:	St James House 13 Kensington Square London W8 5HD
Registered number:	03843168 (England and Wales)
Independent Auditor:	Harmer Slater Limited Statutory Auditor Salatin House 19 Cedar Road Sutton Surrey SM2 5DA

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company is that of leasing a yacht, the Sunborn Princess, which is used as a luxury floating hotel and restaurant from the ship.

DIRECTORS

The directors of the company during the year and up to the approval of the financial statements were as follows:

Pekka Niemi
Hans Niemi

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019 (2018: £nil).

GOING CONCERN

These financial statements have been prepared under the going concern concept on the basis that the parent undertaking has agreed to continue to provide adequate funds to enable the company to meet its liabilities as they fall due.

NON ADJUSTING EVENTS AFTER THE FINANCIAL PERIOD

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to, or disclosure in, the financial statements.

FINANCIAL INSTRUMENTS

Details of financial instruments and their associated risks are given in note 14 to the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information (as defined by section 418 of the Companies Act 2006) of which the auditor is unaware.

AUDITOR

Harmer Slater Limited are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

SMALL COMPANIES PROVISION STATEMENT

The directors have taken advantage of the small companies exemptions provided by sections 414B and 415A of the Companies Act 2006 from the requirement to prepare a strategic report and in preparing the directors' report on the grounds that the company is entitled to prepare its financial statements for the year in accordance with small companies' regime.

The directors report was approved by the board on 28 April 2020 and signed on its behalf by:

H Niemi
Director

Statement Of Directors' Responsibilities

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUNBORN INTERNATIONAL (UK) LIMITED

Opinion

We have audited the financial statements of Sunborn International UK Limited for the year ended 31 December 2019 which comprise: the statement of comprehensive income; statements of financial position; statement of changes in equity; statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019, and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the company in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUNBORN INTERNATIONAL (UK) LIMITED

Other information (continued)
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUNBORN INTERNATIONAL (UK) LIMITED

- misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of the audit report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ransford Agyei-Boamah (Senior Statutory Auditor)
For and on behalf of Harmer Slater Limited, Statutory Auditor
Salatin House
19 Cedar Road
Sutton
Surrey
SM2 5DA

28 April 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019	2018
Continuing operations		£	£
Revenue	3	1,276,336	2,640,000
Cost of sales		-	(2,580,000)
Gross profit		1,276,336	60,000
Administrative expenses		(293,905)	(147,104)
Finance cost	4	(1,165,148)	-
Loss before tax	5	(182,717)	(87,104)
Income tax expense	7	8,796	-
Loss for the year attributable to the shareholder		(173,921)	(87,104)
Total comprehensive loss for the year attributable to the shareholder		(173,921)	(87,104)

Loss per share

		2019	2018
		£	£
Basic and diluted loss per share	8	(1.16)	(0.58)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 £	2018 £
Assets			
Non-current assets			
Property, plant and equipment	9	656,958	788,349
Right-of-use asset	14	463,052	-
Total non-current assets		1,120,010	788,349
Current assets			
Trade and other receivables	10	1,160,098	1,159,709
Lease receivables	14	18,921,388	-
Cash and cash equivalents	11	7,816	8,939
Total current assets		20,089,302	1,168,648
Total assets		21,209,312	1,956,997
Equity attributable to the shareholder			
Issued capital	12	150,000	150,000
Accumulated losses		(922,213)	(1,123,829)
Total equity		(772,213)	(973,829)
Liabilities			
Non-current liabilities			
Lease liabilities	14	17,345,300	-
Deferred tax liabilities	15	79,294	-
Total non-current liabilities		17,424,594	-
Current liabilities			
Trade and other payables	13	2,935,123	2,930,826
Lease liabilities	14	1,621,808	-
Total current liabilities		4,556,931	2,930,826
Total liabilities		21,981,525	2,930,826
Total equity and liabilities		21,209,312	1,956,997

ON BEHALF OF THE BOARD:

H Niemi
Director
Approved and authorised for issue by the Board on 28 April 2020.

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £	Retained Earnings £	Total £
Balance at 1 January 2018		150,000	(1,036,725)	(886,725)
Comprehensive income				
Loss for the year		-	(87,104)	(87,104)
Total comprehensive income for the year		-	(87,104)	(87,104)
Balance at 31 December 2018		150,000	(1,123,829)	(973,829)
Balance at 1 January 2019		150,000	(1,123,829)	(973,829)
IFRS 16 transition adjustment	*14*		375,537	375,537
Restated balance at 1 January 2019		150,000	(748,292)	(598,292)
Comprehensive income				
Loss for the year		-	(173,921)	(173,921)
Total comprehensive income for the year		-	(173,921)	(173,921)
Balance at 31 December 2019		150,000	(922,213)	(772,213)

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss before tax	(182,717)	(87,104)
Finance cost	1,165,147	-
Depreciation	228,875	131,391
Non cash item - other income	(114,586)	-
Increase in receivables	(389)	(149,610)
Decrease in payables	4,297	224,294
Interest paid in cash	(1,165,147)	-
Net cash utilised in operating activities	(64,520)	(30,397)
Cash flows from financing activities		
Lease receivables	1,478,250	-
Repayment of lease liabilities	(1,414,853)	-
Net cash generated from in financing activities	63,397	-
Net decrease in cash and cash equivalents	(1,123)	(30,397)
Cash and cash equivalents at beginning of period	8,939	39,336
Cash and cash equivalents at end of period	7,816	8,939

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operation and going concern

Sunborn International (UK) Limited ('the company') is a private company limited by share capital incorporated in England and Wales under the Companies Act. Its parent and ultimate holding entity is Sunborn OY, an undertaking incorporated in Finland. The address of the company's registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the directors' report on page 2.

These financial statements have been prepared under the going concern concept on the basis that the parent undertaking has agreed to continue to provide adequate funds to enable the company to meet its liabilities as they fall due.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. They have all been applied consistently throughout the year and preceding year.

Statement of compliance

The financial statements of the company have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union. They have also been prepared with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

On January 1, 2019, the company adopted IFRS 16, "Leases". The company applied the modified retrospective approach and did not restate comparative figures for prior periods. IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases.

The standard introduces a single lessee accounting model requiring lessees to recognise right of use assets and liabilities for all leases, unless the lease term is 12 months or less, or the underlying asset has a low value. The lease liabilities are measured initially at the present value of the future lease payments, discounted by the estimated incremental borrowing date at the date of transition. The company has used an average discount rate of 5.86%.

Lessors continue to classify the leases as finance or operating leases. Under IFRS 16, also subleases classified to finance and other leases by reference to the sublet right of use asset.

The biggest impact for the company comes from the lease contracts related to the Yacht hotel. The company has leased the yacht hotel from a related party, Sunborn London Oyj, and has further sublet the right of use asset to the hotel operator. The sublease is classified as finance lease, as it substantially transfers the risks and rewards incidental to the right of use asset. The right of use asset related to the leased Yacht hotel is derecognised, and a net investment in the lease is recognised as a receivable from the hotel operator based on discounted future lease receivables. The lease contract between the company and the hotel operator ends in 2029. The remaining right of use asset on the balance sheet relates to mooring rights. Further details are disclosed in note 14.

Basis of preparation

The financial statements are presented in GBP, rounded to the nearest pound.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Basis of preparation – continued

assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

Revenue recognition

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities. The company bases its estimates on historical results, taking into consideration the arrangement with the lessee. Revenue consists of interest revenue from the lease contract with the hotel operator ISS Facility Services Ltd. Before adoption of IFRS 16, the company's revenue consisted of rental income.

The company has leased out the hotel yacht "Sunborn London" to ISS Facility Services Ltd. The company is entitled to certain fees, partially fixed and partially variable (contingent). The initial agreement was signed between Sunborn International Oy and ISS in 2014, however it was novated by an amendment in 2015 to the company. In 2016, the contract was amended to change the lease term from 10 to 15 years.

Foreign currency

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tax - continued

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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 over their estimated useful lives, as follows:

- Furniture and fittings 25% reducing balance
- Improvements to property 10 years straight line

Impairment of assets

Depreciable assets are assessed to determine any decrease in value resulting from events or changes in circumstances indicating that the carrying amount might not be recoverable. An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less selling expenses and value in use. In assessing impairment loss, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash-generating units). For assets that have been previously impaired, testing is conducted on each balance-sheet date on whether reversal should be done.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business.
Receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other payable

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities. Payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Company as a lessee

At inception of the contract, the company assesses whether a contract is, or contains, a lease. It recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, plus lease payments made on or before the commencement day, less any lease incentives received and plus any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised using the straight line basis so as to write the cost of assets over the lease term.

Company as a lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as finance lease. The company recognises a lease receivable at the net present value of the lease payments receivables and derecognises the right-of-use asset when the company becomes an intermediate lessor in accordance with IFRS 16.

3. Revenue

	2019	2018
	£	£
Lease revenue	-	2,640,000
Interest income on lease receivables	1,161,750	-
Other revenue	114,586	-
	1,276,336	2,640,000

4. Finance Cost

	2019	2018
	£	£
Interest cost on lease liabilities	1,165,148	-
	1,165,148	-

5. Loss for the year

The loss for the year is stated after charging:	2019	2018
	£	£
Depreciation of owned assets	131,391	131,391
Depreciation of right to use assets	97,484	-
Auditor's remuneration:		
Audit of these financial statements	7,900	3,300

The directors review the nature and extent of non-audit services to ensure that independence is maintained.

6. Personnel expenses

Number of employees

The average number of employees during the year was as follows:

	2019	2018
Directors	2	2

No remuneration was paid to the directors during the year (2018 - £nil). They are remunerated by other group undertakings.

7. Income tax expense

Recognised in the income statement

	2019 £	2018 £
Current tax expense		
UK Corporation tax	-	-
Deferred taxation		
Arising from origination and reversal of timing differences	(8,796)	-
All tax recognised in the period	(8,796)	-

Reconciliation of effective tax rate	2019 £	2018 £
Loss before tax	(173,921)	(87,104)
Income tax using the UK corporation tax rate of 19% (2018: 19%)	(33,045)	(16,550)
Depreciation in excess of capital allowances	13,842	11,400
Unrelieved tax losses carried forward	19,203	5,150
Income tax charge	-	-

The company has unrelieved tax losses of £1,698,190 (2018 - £1,451,418) carried forward at 31 December 2019. These unrelieved tax losses are available for tax utilisation against future trading profits. No deferred tax asset is recognised in the Statement of Financial Position.

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2019 was based on the loss attributable to ordinary shareholders of £173,921 (2018: £87,104) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2019 of £150,000 (2018: £150,000) calculated as follows:

Loss attributable to ordinary shareholders

	2019 £	2018 £
Loss for the period	(173,921)	(87,104)
Loss attributable to ordinary shareholders	(173,921)	(87,104)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Earnings per share -continued

Weighted average number of ordinary shares

	2019 Number	2018 Number
Number of shares in issue at beginning of year	150,000	150,000
Weighted average number of ordinary shares in issue for the year	150,000	150,000

	2019 £	2018 £
Earnings per share	(1.16)	(0.58)

Diluted earnings per share is the same as basic earnings per share as there were no dilutive instruments.

9. Property, plant and equipment

	Improvements to property £
Cost	
Balance at 1 January 2018	1,313,913
Balance at 31 December 2018	1,313,913
Balance at 1 January 2019	1,313,913
Balance at 31 December 2019	1,313,913
Depreciation	
Balance at 1 January 2018	394,173
Depreciation charge for the period	131,391
Balance at 31 December 2018	525,564
Balance at 1 January 2019	525,564
Depreciation charge for the period	131,391
Balance at 31 December 2019	656,955
Net book value	
At 31 December 2018	788,349
At 31 December 2019	656,958

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Trade and other receivables

	2019	2018
	£	£
Amounts due from group undertakings	1,127,154	1,126,764
Other receivables	32,944	32,945
	1,160,098	1,159,709

11. Cash and cash equivalents

	2019	2018
	£	£
Bank balances	7,816	8,939
Cash and cash equivalents	7,816	8,939

12. Capital and reserves

Share capital

	2019		2018	
	No.	£	No.	£
Authorised, allotted, called up and fully paid shares of £1 each	150,000	150,000	150,000	150,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The company has one class of share capital which carries no right to fixed income.

The retained profit reserve represents cumulative profit or losses net of dividends paid and other adjustments.

Capital management

The objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to increase the value of the entity for the benefit of its shareholder.

The company's capital was as follows:

	2019	2018
	£	£
Cash and cash equivalents	7,816	8,939
Net debt	7,816	8,939
Equity	(772,213)	(973,829)
Total capital	(764,397)	(964,890)

13. Trade and other payables

	2019	2018
	£	£
Current Liabilities		
Trade payables	2,525	1,022
Amounts owed to group undertakings	2,797,502	2,793,121
Other payables	130,146	131,733
Accruals	4,950	4,950
	2,935123	2,930,826

The directors consider that the carrying value of trade and other payables approximates to their fair value.

14. Leases

Company is the lessee

The company has bareboat charter agreement of Yacht hotel from related party of the group Sunborn London and mooring Agreement with Rodma, which are impacted by the adoption of IFRS 16.

The standard requires the lesser to recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate. The company has used an average discount rate of 5.86%

It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, plus lease payments made on or before the commencement day, less any lease incentives received and plus any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

On adoption of IFRS 16, the company recognised a right of use asset related to mooring rights.

As the company has further sublet Yacht hotel to the hotel operator it becomes an intermediate lessor. IFRS16 requires the intermediate lessor to derecognise the right to use asset relating to the head lease that it transfers to the sublessee and to recognise the net investment in the sublease. Any differences arising between the right of use asset and the net investment in the sublease are recognised in statement of comprehensive income.

No right-of-use asset relating to the leased Yacht hotel was recognised by the company in the statement of financial position. As at 1 January 2019 the company recognised a gain on sublease of £375,537 in equity. Further details in relation to sub-lease are disclosed in the “company is the lessor” paragraph.

14. Leases - continued

Right- of – use assets

	Mooring rights £
Cost	
Balance at 1 January 2018	-
Balance at 31 December 2018	-
Balance at 1 January 2019	-
Additions	560,536
Balance at 31 December 2019	560,536
Depreciation	
Balance at 1 January 2018	-
Depreciation charge for the period	-
Balance at 31 December 2018	-
Balance at 1 January 2019	-
Depreciation charge for the period	97,484
Balance at 31 December 2019	97,484
Net book value	
At 31 December 2018	-
At 31 December 2019	463,052

Lease liabilities
At 31 December 2019 the company is committed to £24,624,293 (2018: £26,660,000) in future lease payments, none of which relates to short-term. The carrying amount of the lease liabilities approximate the fair value.

The following table outlines the future lease payments

	2019	2018
	£	£
Not later than one year	2,694,588	2,580,000
Later than one year and not later than five years	10,749,705	10,320,000
Over five years	11,180,000	13,760,000
	24,624,293	26,660,000
Less: unearned interest cost	(5,657,185)	-
Lease liabilities	18,967,108	-

14. Leases -continued

The future lease payments analysed as:

	2019	2018
	£	£
Non-current	17,345,300	-
Current	1,621,808	-
	18,967,108	-

Amounts recognised in statement of comprehensive income:

	2019	2018
	£	£
Depreciation of right-of-use assets	97,484	-
Interest expense on lease liabilities	1,165,147	-
	1,262,631	-

Cash Flows
The total cash outflows for leases amounted to £2,580,000 (2018: £2,580,000), split as follows:

- cash payments of £1,414,853 (2018: £2,580,000) for the principal portion of the lease liabilities within financing activities; and
- cash payments of £1,165,147 (2018: £nil) for the interest portion of the lease liabilities within operating activities.

Company is the lessor

The company has leased the yacht hotel from a related party, Sunborn London Oyj, and has further sublet the right of use asset to the hotel operator. The sublease is classified as finance lease, as it substantially transfers the risks and rewards incidental to the right of use asset. The right of use asset relating to the leased Yacht hotel is derecognised, and a net investment in the lease is recognised as a receivable from the hotel operator based on discounted future lease receivables. The lease contract between the company and the hotel operator ends in 2029.

Lease receivables
The company generates interest revenue from the lease contract with the hotel operator ISS Facility Services Ltd. Before adoption of IFRS 16, the company's revenue consisted of rental income. The company is entitled to certain fees, partially fixed and partially variable (contingent). The initial agreement was signed between Sunborn International Oy and ISS in 2014, however it was novated by an amendment in 2015 to the company. In 2016, the contract was amended to change the lease term from 10 to 15 years.

A reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable as at 31 December 2019 is outlined below:

	2019	2018
	£	£
Not later than one year	2,640,000	2,640,000
Later than one year and not later than five years	10,560,000	10,560,000
Over five years	11,440,000	14,080,000
	24,640,000	27,280,000
Less: unearned interest income	(5,718,612)	-
Lease receivable	18,921,388	-

14. Leases -continued

Amounts recognised in statement of comprehensive income:

	2019	2018
	£	£
Interest income on lease receivables	1,161,750	-
	1,161,750	-

Cash Flows

The total cash inflows for lease amounted to £2,640,000 (2018: £2,640,000)

- cash receipts of £1,478,250 (2018: £2,640,000) for the principal portion of the lease receivables within financing activities; and
- cash receipts of £1,161,750 (2018: £nil) for the interest portion of the lease receivables within operating activities

15. Deferred Tax

	Deferred Tax
	£
At 1 January 2018 and at 31 December 2018	-
At 1 January 2019	-
Reversal of timing differences	88,090
Charged to statement of comprehensive income	(8,796)
At 31 December 2019	79,294

16. Financial instruments

The principal financial assets comprise: cash and cash equivalents; amounts due from group undertakings; and trade and other receivables. The financial liabilities comprise: trade payables; amount due the parent undertaking; other payables and accrued expenses. All of the financial liabilities are measured at amortised cost and their financial assets are classified as loans and receivables and measured at amortised cost.

The company held the following categories of financial instruments at 31 December 2019:

	2019	2018
	£	£
Financial assets		
Loans and receivables:		
Amounts owed by group undertakings	1,127,154	1,126,764
Other receivables	32,944	32,945
Cash at bank	7,816	8,939
Total financial assets	1,167,914	1,168,648

Liabilities at amortised cost or equivalent:	2019	2018
	£	£
Trade payables	(2,525)	(1,022)
Amount owed to group undertakings	(2,797,502)	(2,793,121)
Other payables	(130,146)	(131,733)
Accruals and deferred income	(4,950)	(4,950)
Total financial liabilities	(2,935,123)	(2,930,826)

16. Financial instruments -continued

The directors determine, as required, the degree to which it is appropriate to use financial instruments and hedging techniques to mitigate risks. The main risks for which such instruments may be appropriate are liquidity risk, credit risk, market risk and interest rate risk each of which is discussed below.

Liquidity risk
Liquidity risk arises from the management of working capital and the finance and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

The trade payables, other payables and accrued expenses are generally due between one and three months.

Credit risk
The principal financial assets are bank balances and cash, trade and other receivables. The credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful debts. It is company policy to assess the credit risk of new customers and to factor the information from these credit ratings into future dealings with the customers. At the statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company's market risks arise from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements (interest rate risk). The company is not exposed to foreign exchange rate risk as all its financial assets and liabilities are denominated in British pound. The company has no significant exposure to price risk as it does not hold any equity securities or commodities.

Interest rate risk
Company's interest rate risk principally arises from long-term loan receivable and borrowing. As they bear variable interest rates, they expose the company to cash flow interest rate risk. On the other hand, not having loan receivables and borrowings at fixed rates, does not expose the company to fair value interest rate risk. Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

Company's interest rate risk is monitored on a regular basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources.

Fair values
In the directors' opinion there is no material difference between the book value and fair value of any of the financial instruments.

Classes of financial instruments
The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in the notes to the accounts. All the company's financial assets are categorised as receivables and all financial liabilities are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Related parties

The company's related parties are Sunborn group entities controlled by Sunborn Oy and the board of directors of the company, the board of directors of the parent company Sunborn Oy together with their close family members, and companies controlled by these individuals.

The cost of sales for the company arises from a single lease contract with its sister company Sunborn London Oyj (since August 2016) and before August 2016 with Sunborn International Oy, under which the Sunborn London Oyj has leased the yacht hotel to the company to enable rental income to be earned. The lease expense from the contract during 2019 amounted to £2,580,000 (2018: £2,580,000).

At the year end the company was owed by Sunborn International OY £1,126,374 (2018: £1,126,374) and owed to Sunborn London OY £2,797,502 (2018: £2,793,121). These amounts are interest free and repayable on demand.

18. Critical accounting estimates and judgements

The details of the accounting policies are presented in accordance with International Financial Reporting Standards as set out in Note 2 to the financial statements. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

The risk associated with going concern as explained in note 1 is considered by management to be the only critical judgement and estimate for investors to understand when considering some of the processes and reasoning that go into the preparation of the company's financial statements, providing some insight also to uncertainties that could impact the company's financial results.

19. Smallest and largest group accounts

The smallest and largest group in which the results of the company are consolidated is that of Sunborn Oy, the financial statements of which can be obtained from Juhana Hertuan Puistokatu 23, 20100 Turku, Finland.

20. Non adjusting events after the financial period

There have been no significant events between the year end and the date of approval of these financial statements which would require a change to, or disclosure in, the financial statements.