SUNBORN LONDON

FINANCIAL STATEMENTS 2019
SUNBORN LONDON OYJ

sunborn

CONTENTS

REPORT OF BOARD OF DIRECTORS 2019

Key Figures (IFRS)

EUR thousand	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Rental income	2 945	2 913
Operating profit	1 336	1 324
Investment property (yacht hotel)	37 907	39 412
Total Equity	29 128	30 254
Borrowings	29 814	30 297

Financial summary 1 January - 31 December 2019

Sunborn London Oyj ("the Company") continued to be a SPV with no other purpose than owning the Sunborn London Yacht hotel. The vessel is leased out to sister company Sunborn International (UK) Ltd ("Sunborn UK") through an internal bareboat agreement, and ultimately to ISS Facility Services Ltd. The structure of Sunborn group is described in Note 1 to the financial statements.

Rental Income for the reporting period was 2.95 M€ (2.91 M€). Rental income in EUR was slightly affected by FX fluctuations. With comparable exchange rates rental income remained the same.

Operating costs are in line with previous year.

Fair value of the yacht hotel as at 31 December 2019 approximates the book value of the yacht hotel. The volatility in the fair value is mainly due to fluctuation of the GBP/EUR exchange rate.

Notable events during the reporting period

During the reporting period, exchange rates continued to be volatile. According to Sunborn group's financial risk strategy, 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.

Business environment

Volatility in GBP versus EUR is expected to continue due to ongoing Brexit process. UK transitional arrangements for leaving the EU is ending 31.12.2020 and the negotiations for the continuing relationship will cause market and FX movements towards the end of the year. The Company has kept and continues to keep a prudent hedging practice in place to protect against major adverse movement in GBP.

In 2016, Sunborn International (UK) Ltd entered into a 13-years long triple net management service contract for operations of the Sunborn London Yacht hotel with ISS Facility Services Ltd, a 100 % owned subsidiary of ISS A/S listed in Denmark. ISS pays Sunborn UK a fixed sum of GBP 220,000 per month in lease.

Customer satisfaction continues to be excellent reflected in the current score of 8.7/10 “Fabulous” on Booking.com, 8.6/10 “Fabulous” on Hotels.com, 4.4/5 “Excellent” on Expedia and #335 out of 1,137 hotels in London on TripAdvisor.

Estimated future development

The management of the Company estimates that its financial performance and debt service capacity will remain stable. COVID-19 is not currently expected to have significant impact the operations of Sunborn London as further assessed below.

Due to ongoing Brexit process, the management of the Company estimates GBP/EUR exchange rate continue to be volatile. Brexit may also negatively impact the UK travel industry.

Notable events after the end of the reporting period

The spread of COVID-19 has led to unprecedented and gradually worsening business situation in the hospitality sector all over the world including London. Management expects that Sunborn London´s operations continue during the COVID-19 crisis, and that the crisis will not have significant impact on the rent income received under the lease contract.

Sunborn London’s rental income consists solely of rental income from its sister company Sunborn UK, which has rented out the Yacht Hotel to the operator ISS UK. As Sunborn UK has no other sources of income, its ability to pay rents to the Company is fully dependent on ISS’s rental payments. Sunborn London and the operator ISS UK on 16th March secured a partial continuation of the hotel and food and beverage operations by supporting the NHS Nightingale Hospital; a new field of hospital setup to provide dedicated support for COVID-19 patients. This hospital is housed at ExCel London, the expansive exhibition center which neighbors the Yacht hotel, with capacity for potentially 4,000 patients. Whilst the Sunborn London operations may still be impacted by the closures, particularly if the hospital setup is discontinued, the management is currently expecting our rental income to remain unaffected as per the lease agreement with the sister company, and ultimately with our management partners ISS. The development of the COVID-19 situation and its impact on ISS’s capacity to pay rentals is closely monitored and the situation may change. Management expects the hotel and restaurants to begin a recovery towards normality Q3 with recovery towards the end of the year. If the crisis lasts longer than expected, it could impact ISS’s ability to pay rentals, and it might also have an impact on the fair value of the Yacht hotel. In this situation Sunborn London Oyj’s ability to service its debts and meet the covenant requirements based on current terms and conditions would be at risk.

Further, COVID-19 has impacted Sunborn group by government imposed temporary closure and restrictions on most of the group´s business activities. The Company has long term receivables from its parent entity Sunborn Oy. If the crisis would last significantly longer than expected, the crisis may have adverse impact on Sunborn group’s operations, and thus Sunborn Oy’s ability to make its interest payments according to the contract and the value of the loan receivables.

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, refinancing risk and business interruption due to incidents relating to environmental and or public health risks. The current COVID-19 outbreak globally could affect London‘s hotel market, and Sunborn London’s credit risk and liquidity risk in the situation that ISS could not meet its commitments under the lease agreement and Sunborn London would not be able pay the interests and other payments related to the bond.

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. The foreign exchange risk is not hedged at the Company level, but Sunborn group has forward contracts in place with the aim to protect the Company against unfavorable developments at Sunborn group level.

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

Corporate Governance

Sunborn London Oyj's ownership, corporate structure, operational activities and related party transactions are described in notes to the financial statements.

The governance of Sunborn London Oyj is based on the Finnish Limited Liability Companies Act and Sunborn London Oyj's articles of association. The Company's shares are not listed for public trading. Sunborn London Oyj has issued a secured bond that is listed by NASDAQ Helsinki Oy, and the company complies with its rules and regulations for listed bonds, the Securities Markets Act as well as the Financial Supervisory Authority's regulations.

The Annual General Meeting is the highest decision-making body in Sunborn London Oyj, deciding on matters laid down in the Finnish Limited Liability Companies Act. The AGM is held once a year, in June at the latest, on a date determined by the company's Board of Directors.

The Board of Directors of Sunborn London Oyj consists of four ordinary members, elected by the AGM for one year at a time. The Board of Directors decides on significant matters concerning the company strategy, investments and finance. In 2019 the Board had 4 meetings.

Members of the Board of Directors in 2019 were Ritva Niemi, Pekka Niemi, Hans Niemi and Jari Niemi. There has not been any remuneration for the Board of Directors in 2019. Sunborn London Oyj has no committees.

Sunborn London Oyj’s Board of Directors appoints the Chief Executive Officer. The CEO Pekka Niemi is responsible for the Company's financial performance and for organizing business operations and administration according to legislation as well as instructions and orders issued by the Board.

The Annual General Meeting elects the authorized public accountants until further notice. Sunborn London Oyj auditors are PricewaterhouseCoopers Oy with Kalle Laaksonen, APA, as principal auditor since 2017.

Proposal for profit distribution

The Board of Directors proposes to the Annual General Meeting that the funds are carried forward to retained earnings.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	**1 Jan -31 Dec 2019**	**1 Jan -31 Dec 2018**
Rental income from group companies	5, 13	2 945	2 913
Other operating income	5	128	128
Depreciation	9	-1 505	-1 505
Other operating expenses	6	-232	-212
Operating profit		**1 336**	**1 324**
Finance income	7	1 662	1 559
Finance costs	7	-1 905	-2 029
Finance income and costs, net		-243	-470
Profit before taxes		**1 093**	**854**
Income tax expense	8	-	-
Change in deferred tax	8	-219	-101
Profit for the period		**874**	**753**
Total comprehensive income for the period		**874**	**753**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	**31 Dec 2019**	**31 Dec 2018**
Assets			
Non-current assets			
Investment property	9	37 907	39 412
Receivables from group companies	13	24 162	24 745
Cash collateral	12	880	880
Total non-current assets		**62 949**	**65 037**
Current assets			
Trade receivables from group companies	13	3 288	3 123
Other receivables		10	14
Cash and cash equivalents		348	419
Total current assets		**3 646**	**3 556**
Total assets		**66 595**	**68 593**

EUR thousand	Note	**31 Dec 2019**	**31 Dec 2018**
Equity and liabilities			
Share capital	11	80	80
Reserve for invested unrestricted equity		600	600
Retained earnings		28 448	29 574
Total equity		**29 128**	**30 254**
Liabilities			
Non-current liabilities			
Borrowings	12	29 110	29 625
Deferred income	5	385	514
Deferred tax liabilities	10	7 090	7 371
Total non-current liabilities		**36 585**	**37 509**
Current liabilities			
Trade and other payables		2	0
Payables to group companies	13	24	5
Borrowings	12	704	672
Deferred income	5	128	128
Accrued expenses		23	24
Total current liabilities		**881**	**829**
Total liabilities		**37 466**	**38 339**
Total equity and liabilities		**66 595**	**68 593**

The above balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

EUR thousand	Share capital	Reserve for invested unrestricted equity	Retained earnings	**Total equity**
Equity at 1.1.2018	80	600	30 751	31 430
Profit for the period			753	753
Total comprehensive income	0	0	753	**753**
Transactions with owner:				
Group contribution			-1 930	-1 930
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	0	-1 930	-1 930
Equity at 31.12.2018	80	600	29 574	**30 254**
Equity at 1.1.2019	80	600	29 574	30 254
Profit for the period			874	874
Total comprehensive income	0	0	874	**874**
Transactions with owner:				
Group contribution			-2 000	-2 000
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	0	-2 000	-2 000
Equity at 31.12.2019	80	600	28 448	**29 128**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan -31 Dec 2019	1 Jan -31 Dec 2018
Cash flows from operating activities			
Profit before tax		1 093	854
Adjustments for			
Amortisation of deferred income	10	-128	-128
Depreciation	9	1 505	1 505
Finance income and costs, net	7	243	470
Change of working capital			
Change in trade and other receivables		-161	298
Change in trade and other payables		20	-174
Net cash flows from operating activities		**2 571**	**2 825**
Cash used in investing activities			
Net cash flows used in investing activities		**0**	**0**
Cash flows from financing activities			
Repayment of borrowings		-672	-608
Contibution from/to Sunborn group companies	13	-357	-180
Transaction/loan agent costs		-6	-5
Interest paid		-1 710	-1 745
Net cash flows from financing activities		**-2 746**	**-2 538**
Cash and cash equivalents at the beginning of period		419	229
Effects of exchange rate changes on cash and cash equivalents		103	-97
Change in cash and cash equivalents		**-71**	**190**
Cash and cash equivalents at the end of period		**348**	**419**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS (IFRS)

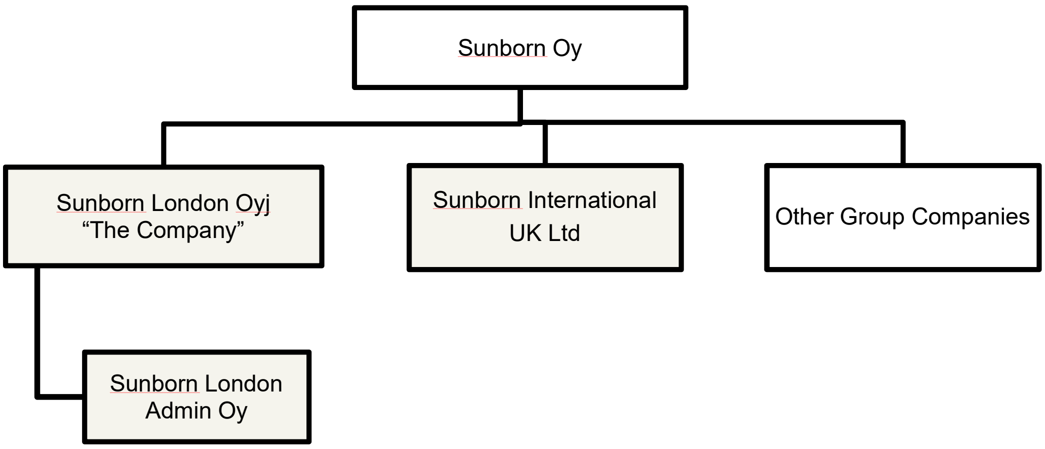
1. General information

Sunborn London Oyj is a public limited liability company ("the Company") incorporated in Finland. The registered address of Sunborn London Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn London Oyj was established on April 30, 2016 through a demerger of Sunborn International Oy. Sunborn London Oyj owns a luxury yacht hotel "Sunborn London" docked at Royal Victoria Dock in London, the UK ("Yacht hotel"), which it has leased to its sister company Sunborn International (UK) Limited ("Sunborn UK"). The hotel operations of the Yacht hotel Sunborn London are run by management company ISS Facility Services Ltd ("ISS") in accordance with a lease contract between ISS and Sunborn UK. The Yacht hotel is equipped with 138 cabins, including four suites or high class cabins, with a total hotel capacity of 524 persons. There are also conference facilities for up to 200 delegates, restaurant, bar and lounges inside the Yacht hotel. The Company had no employees in 2019 and 2018. Sunborn London Oyj's parent company Sunborn Oy provides management and administrative services to the Company. Sunborn UK's sole operations consist of acting as the lessee and lessor of the Yacht hotel.

Sunborn Oy is the sole owner and parent company of Sunborn London Oyj and Sunborn UK. Sunborn Oy is a family owned company 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. Sunborn Oy had altogether 15 subsidiaries as at December 31, 2019 ("Sunborn Group"). Sunborn Oy prepares consolidated financial statements under Finnish Accounting Standards. The copies of the consolidated financial statements as well as the Company's standalone financial statements are available at the parent company's head office, Juhana Herttuan puistokatu 23, Turku, Finland.

As at 7 December 2018 Sunborn London Oyj acquired dormant subsidiary for administrative purposes thus became the parent company of the group ("Group"). The consolidated financial statements have been prepared in accordance with the basis of preparation and accounting policies set out below.

Sunborn Group structure:



2. Summary of significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as SIC and IFRIC interpretations applicable as per December 31, 2019. International Financial Reporting Standards refer to the standards and interpretations applicable by corporations set out by the Finnish accounting ordinance and other guidance set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

These financial statements have been prepared primarily under the historical cost convention unless otherwise indicated.

Preparation of consolidated financial statements 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 group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The financial statements are presented in thousands of euros unless otherwise stated. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

Adoption of new IFRS standards

The most relevant new IFRS standard adopted during the year by the Company is:

IFRS 16 *Leases* (effective date 1 January 2019) 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 did not significantly change. As the Group is currently acting as lessor in its one lease agreement, the standard resulted in no material impact on the Group's financial statements.

Implementing IFRIC 23 *Uncertainty over income tax treatments* (effective date 1 January 2019) did not have impact on the Group.

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Company is euro, which is also the presentation currency of these consolidated statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. All foreign exchange gains and losses are presented in the income statement within finance income or costs.

Investment property

The Company presents as investment property its investment in a Yacht hotel that is leased out under operating lease, and it is operated as Yacht hotel “Sunborn London” by ISS. The Yacht hotel has the physical characteristics of a building. It is a non-propelled vessel that is permanently moored along quayside at Royal Victoria Dock in London, the UK. The Yacht hotel, as it is lacking propels and other standard equipment of a ship, is not readily movable and the future rental cash flows to be earned from the Yacht hotel depend largely upon its permanent location.

An investment property is measured initially at its cost. Directly attributable transaction costs are included in the initial measurement. The Company measured the investment property at fair value as at 1 January 2015, as the Company applied the exemption provided in IFRS 1 to use the fair value of the investment property as deemed cost at the date of transition to IFRS. Any improvement costs for the renovation and repair that add value to Yacht hotel are capitalized as additions to the Yacht hotel and depreciated over the shorter of the improvements’ estimated useful lives or that of the Yacht hotel.

Subsequently, the investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. 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 Yacht hotel divided to its significant components is presented in the table below:

Yacht	40 years
Yacht, short term components (interior and fittings)	10 years

The Yacht hotel’s residual value is estimated to be EUR 5 million. The residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Transfers to and from investment property are made if there is a change in use. Investment property is derecognised on disposal or when the asset is withdrawn from use and no future economic benefits are expected.

Impairment of investment property

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use.

Financial assets

The group classifies all its financial assets as financial assets measured at amortised cost. The group’s financial assets comprise lease receivables and loan receivables and are held within a business model whose objective is to collect the contractual cash flows, and the financial assets’ contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost are recognised initially at fair value, including any transaction costs incurred. They are subsequently carried at amortised cost less provision for impairment. Interest income is recognised in the income statement using the effective interest method. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the group transfers the financial asset or the group of financial assets in question.

The group's financial assets are included in current assets, expect for maturities greater than 12 months after the end of the reporting period in which case they are classified as non-current assets. The financial assets comprise non-current loan given to Sunborn Oy, a parent company of Sunborn London Oyj, current trade and other receivables which include mainly rental receivable from the lessee Sunborn UK, related party, reserve account pledged (cash collateral) for the bond trustee, and cash and cash equivalents, which includes cash in hand and deposits held at call with banks.

Impairment of financial assets at amortised cost

The group assesses on a forward looking basis the expected credit losses associated with the receivables which are carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. If there is no significant increase in credit risk, 12 month expected losses are recognised in profit or loss. Otherwise, the lifetime expected credit losses are recognised.

The group assesses expected losses based on the historical payment profiles and the corresponding historical credit losses experienced within the current period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, a failure to make contractual payments for a period of greater than 360 days past due.

Financial liabilities

Financial liabilities of the group consist of borrowings and accounts and other payable. A financial liability is derecognized when it is extinguished – that is when the obligation is discharged, cancelled or expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement as interest expense over the period of the borrowings using the effective interest method. The group's borrowings consist of senior secured bonds which the Company withdrew during 2016.

Accounts and other payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables consist of interest and tax accruals. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to group contribution that is recognised directly in equity. In this case, the tax is also recognised directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group entities operate and generate taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Recognition of rental income

The Company recognises rental income from renting out the Yacht hotel "Sunborn London" to Sunborn UK based on fixed monthly payments determined in the lease contract. The lease of the Yacht hotel is classified as operating lease, since the Company retains a significant share of risks and rewards of ownership. Rental income from operating leases is recognised on a straight-line basis over the lease term.

Interest income

Interest income on the loan to the parent company Sunborn Oy is recognised using the effective interest method and presented within finance income in the statement of comprehensive income.

Group contribution

Group contribution given under Finnish Group Contribution Act 1986/825 to the entities in the Sunborn Group in Finland is recognised as a liability or receivable in the consolidated financial statements in the period to which it relates to. Group contribution is deducted directly from equity net of taxes.

Segment reporting

The Group only has one operation (owning and leasing the Yacht hotel), so it constitutes a single operating segment. The chief operating decision maker is determined as the Board of Directors of the Company who monitors the result of the group after its establishment based on the rental income generated from the lease agreement less operating expenses.

3. Critical accounting estimates and management judgement

The preparation of financial statements in compliance with IFRS requires making estimates and assumptions. Application of accounting policies requires making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions, and judgements are based on historical experience and various other factors, including projections of future events, which are believed to be reasonable under current circumstances.

Useful life and residual value of the Yacht hotel

The Yacht hotel has been built as permanently floating real-estate and hull and structure is designed to have a technical lifespan of over 70 years, subject to normal maintenance and upkeep over the lifespan. In addition to the high technical specification of the hull and its protection systems, the hotel is typically moved only once every 10 to 15 years for refitting and is not normally subjected to adverse sea conditions, salt water, and friction. As a non-moving vessel, it will not be impacted by encounters with land or vessels. The management of the Company has made estimates on the depreciation period and residual value of the Yacht hotel. The management has estimated that the useful life of the Yacht hotel is 40 years for the hull and structure and 10 years for the interior and fittings. The residual value is estimated to be EUR 5 million. Should certain factors or circumstances cause the management to revise its estimates of the Yacht hotel's useful lives or projected residual values, depreciation expense could be materially higher or lower. If the estimated average Yacht hotel useful life had reduced or increased by one year, depreciation expense for 2019 would have increased by approximately EUR 0.1 million / decreased by 0.1 million. If the Yacht hotel was estimated to have no residual value, depreciation expense for 2019 would have increased by approximately EUR 0.13 million.

Determination of the functional currency of the Company

Determination of the functional currency of the Company requires critical judgement. The management of the Company has prepared the financial statements on the basis of the judgement that the functional currency is the Euro. Management's view is that the Company acts as an extension of its parent entity Sunborn Oy, whose functional currency is euro.

Impairment of the long term loan receivable from the parent entity

The management has applied judgement in considering that the credit risk of the loan receivable from the parent entity has not increased significantly. If the credit risk for a loan receivable is not significantly increased, the impairment loss is recognised based on 12 month expected losses. If the credit risk is significantly increased, the impairment is recognised based on lifetime expected losses. This might have significant impact on the profit for the period.

4. Financial risk management

The financial risks related to business are market risk (including interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk. Financial risk management carried out by the management aims to protect the group against unfavourable 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.

Foreign exchange risk

The objective of foreign exchange risk management is to reduce the uncertainty caused by fluctuations in foreign exchange rates in the group's profit and loss, cash flows and balance sheet to an acceptable level. The Group 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. Volatility in GBP versus EUR is also expected to continue due to ongoing Brexit process.

Sunborn Oy, the parent of the Company, has hedged foreign exchange risk at the Sunborn Group level by using window forward rate contract. However, this does not impact the Sunborn London group's financial statements.

The GBP denominated receivables and cash balances on the balance sheet in the periods presented are as follows:

EUR thousand	**31 Dec 2019**	**31 Dec 2018**
Lease receivables	3 288	3 158
Cash and cash equivalents	234	24
Total	**3 522**	**3 182**

At December 31, 2019, if the GB Pound strengthened/weakened by 15% against the euro, post-tax profit for the year would have been EUR 459 thousand (2018: EUR 415 thousand) higher/lower.

Interest rate risk

The Company has issued senior secured bonds during year 2016 whose interest is bound to 3-month Euribor. The nominal value of the bonds is EUR 32 million in total and they carry interest at rate of 5.5 % as at December 31, 2019 consisting of margin of 5.5 % plus 3-month Euribor subject to a floor at 0 %. Cash and cash equivalents do not carry significant interest. The loan receivable from the parent of the Company, Sunborn Oy amounts to EUR 24.2 million carries floating interest rate based on 3-month Euribor subject to a floor at 0 % plus marginal, being 6.1 % as at December 31, 2019.

Due to the low interest rate levels, the Company has paid the floor interest of 5.5 % p.a. on its borrowings and in substance the interest rate has been fixed. Also the interest rate for the receivable from Sunborn Oy has been fixed in substance. Possible future fluctuations in interest rates would be mainly offset by the opposite impacts of the changes in interest rates on the receivable and liability. Had the Euribor been 50 basis points higher or lower during the periods presented, that would not have had material impact on the interest expense or interest income. The management of the Company monitors changes in the interest rate level and its possible impact on future cash outflows. The need for any hedging activity is assessed continuously.

Credit risk

Credit risk is the risk that the other party to the loans and receivables will cause a financial loss for the group by failing to discharge an obligation. Credit risk arises from rental receivables from its sister company Sunborn UK, loan to Sunborn Oy, the parent company, and cash and cash equivalents and the cash deposit held (cash collateral) at banks.

The Company assesses on a forward looking basis the expected credit losses associated with these receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. If there is no significant increase in credit risk, 12 month expected losses are recognised in profit or loss. Otherwise, the lifetime expected credit losses are recognised.

The Company has leased the Yacht hotel to its sister company Sunborn UK which further has leased the yacht hotel to ISS Facility Services Ltd under a long term lease contract. The lease receivables from Sunborn UK amounted to approximately EUR 3.3 million on 31.12.2019 (EUR 3.1 million on 31.12.2018). The increase is due to fx fluctuation. The receivables correspond to approximately one-year lease receivables. Previously the Company agreed with Sunborn UK on a longer payment period for the lease receivables to set off the receivables with outstanding liabilities of Sunborn International Oy to Sunborn UK. However, due to the demerger, the receivables and liabilities could not be offset. Sunborn UK makes the lease payments according to the contract, and the management has assessed that there is no significant increase in the credit risk of the receivables. The management has assessed that the 12-month expected loss on the lease receivables is not material.

The lease receivables create a credit risk concentration to the group. The credit risk is managed by continuously monitoring the performance of the ultimate lessor, ISS, and the financial position of Sunborn UK. ISS A/S, the ultimate Group parent of ISS Facility Services Ltd, was rated in March 2020 by Standard & Poors as BBB rating.

The most significant receivable is the loan granted to the parent company Sunborn Oy in 2017. The loan carries normal credit risk related to intra-group receivables. The credit quality of the loan depends on the financial performance of the parent company. Financial activities of the Sunborn Group companies are directed by common management. The amounts and terms and conditions of the receivables from group companies are presented in note 13.

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

Cash and cash equivalents and the cash deposit (cash collateral) are held in reputable Nordic banks, whose credit ratings are strong. While cash and cash equivalents are also subject to the same impairment requirements as other receivables, the management has assessed that the impairment loss for them is immaterial.

The calculations of expected credit loss for financial assets are based on assumptions about risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The ageing analysis of trade receivables is as follows:

EUR thousand	**31 Dec 2019**	**31 Dec 2018**
Not due	253	240
Less than 6 months past due	1 264	1 202
6 - 12 months past due	1 516	1 442
Over 12 months past due	256	239
Total	**3 288**	**3 123**

Liquidity risk and refinancing risk

Liquidity risk is the risk that existing funds and borrowing facilities become insufficient to meet the Company's business needs or high extra costs are incurred for arranging them. Refinancing risk is the risk that refinancing of the existing borrowings and/or raising new funding will not be available, or is available at high price.

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of adequate funding. In the long–run the principal source of liquidity is expected to be the cash flow generated by the lease agreement. The Group's liquidity position is monitored by the management. The business related to the Yacht hotel has been historically profitable and the non-cancellable lease term in accordance with the lease agreement between the ISS and Sunborn UK is for almost 10 years as at December 31, 2019. The lease contract can be early terminated only upon the occurrence of remote contingencies.

A summary table with maturity of the financial liabilities is presented below. The amounts disclosed in the tables below are the contractual undiscounted cash flows including the interest payments. The interest payments are calculated based on the interest rate level on the balance sheet dates presented.

31 Dec 2019

EUR thousand	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Total**
Payables to group companies	24	-	-	-	24
Trade and other payable	2	-	-	-	2
Senior secured bond	704	29 456	-	-	30 160
Senior secured bond, interest payments	1 677	1 214	-	-	2 891
Total	2 407	30 670	-	-	**33 077**

31 Dec 2018

EUR thousand	**< 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Total**
Payables to group companies	5	-	-	-	5
Trade and other payable	0	-	-	-	0
Senior secured bond	672	704	29 456	-	30 832
Senior secured bond, interest payments	1 709	1 677	1 214	-	4 600
Total	2 386	2 381	30 670	-	**35 437**

The refinancing risk is managed by securing the refinancing early enough. The Company's long term financing is secured by bond financing, which matures in September 2021, as further described in note 12. The management of the Company believes it is able to refinance the bonds at or before maturity due to the profitable, long term lease contract of the Yacht hotel with the long term, reliable partner, ISS. The committed lease contract period continues after the maturity of the bonds for approximately 8 more years. However, due to the COVID-19, the process of the bond renewal has been delayed, and the management of the Company expects to start the renewal process when the market has stabilised.

Capital management

Capital of the group as monitored by the management consists of borrowings and equity as shown in the balance sheet.

Capital management is based on the evaluation of essential risks concerning the group. The management of the Company monitors equity ratio. Capital is managed through group contributions or equity instalments. In accordance with the terms of bonds issued by the Company and guaranteed by Sunborn UK, as described in note 12 Borrowings, the Company is not permitted to raise new external debt, however intra-group financing is allowed if needed either in form of equity or debt instruments.

The bond terms include an asset cover ratio covenant, which requires the Company, together with the guarantor, to maintain the asset cover ratio of minimum 120.0 %. The covenant is calculated based on the market value of the yacht hotel calculated by approved shipbroker appointed by the Company and approved by the bond trustee, divided by financial indebtedness of the Company. The Company has not breached the covenant.

5. Rental income from related parties and other income

The group's rental income consists solely of rental income from its sister company Sunborn UK who has rented out the property to the operator ISS. As Sunborn UK has no other sources of income, its ability to pay rents to the Company is fully dependent on ISS's rental payments. Rental income relates to investment property, see note 9 for details.

Maturity analysis of lease payments translated at exchange rate prevailing on each balance sheet date are as follows (undiscounted):

EUR thousand	**31 Dec 2019**	**31 Dec 2018**
Within 1 year	3 032	2 884
Between 1 and 2 years	3 032	2 884
Between 2 and 3 years	3 032	2 884
Between 3 and 4 years	3 032	2 884
Between 4 and 5 years	3 032	2 884
Later than 5 years	13 141	15 382
Total	**28 303**	**29 803**

Other income relates to the payments received from ISS to renovate and repair the yacht hotel before the commencement of the lease in 2014. The payments received are recognised as other income over the time of the depreciation of the improvements.

6. Operating expenses

Operating expenses are presented in the table below:

Operating expenses

EUR thousand	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Administrative expenses	159	164
Management fee	73	48
Total	**232**	**212**

Auditor's fee

EUR thousand	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Statutory fees	13	16
Other services	6	5
Total	**19**	**20**

7. Finance income and costs

Finance income and costs are presented in the table below:

EUR thousand	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Finance income:		
Interest income on loan given to parent company	1 559	1 559
Foreign exchange gains	103	-
Total finance income	1 662	1 559

Finance expenses:		
Interest expenses on borrowings	-1 899	-1 927
Foreign exchange losses	-6	-102
Total finance costs	-1 905	-2 029
Finance income and costs, net	**-243**	**-470**

Foreign exchange gains relate to the lease receivables from Sunborn UK which are denominated in GBP. Terms and conditions on loan given and borrowings from the parent company are described in note 13 Related party transactions.

8. Income tax expense

The effective tax rate in 2019 was 20 % and 2018 was 12 %. In 2018, there was a reconciling item of 0.3 MEUR related to unused tax-deductible losses between income tax expenses as recognised in the statement of comprehensive income or tax expense calculated using the Finnish tax rate (20 %).

Income tax expense

EUR thousand	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Current tax	0	0
Change in deferred taxes	-219	-101
Total	**-219**	**-101**

Tax charge

EUR thousand	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Profit before income tax	1 093	854
Previously unregognized tax losses	0	70
Tax calculated at Finnish tax rate (20%)	-219	-171
Total	**-219**	**-101**

9. Investment property

The Yacht hotel is registered in Finland but located in London, United Kingdom, where it is leased under a lease agreement to Sunborn UK. Sunborn UK has leased the Yacht hotel to ISS, which runs the hotel operations of the Yacht hotel. ISS 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 group has thus no risk on operating the Yacht hotel, being only responsible for certain insurances and maintaining the hull. However, the group is highly dependent on ISS's ability to pay the rents as ISS as the sole lessee is the only source of Sunborn UK's cash inflows.

Fair value measurement of the Yacht hotel

Fair value of the yacht hotel was approximately 43 million EUR on 31.12.2019 (2018: 41 million EUR). The valuation prepared by the Company is based on discounted cash flow analysis. The fair value measurement is based on unobservable inputs and accordingly, is classified in Level 3 in the fair value hierarchy.

The calculation takes into account different scenarios for determining the residual value after the contractual lease term: its estimated terminal value at the end of the lease term and assumed continuation of the lease contract after the contractual fixed period. Discount rate of 7 % is based on hotel yields in London added by inflation of 2 %. The payments for the extrapolated period include adjustment for risk of 1 %.

The fair value measurement is prepared using unobservable inputs based on the management estimation. The cash flows in the discounted cash flow calculation are based on the fixed payments in the external lease contract with ISS less estimated operating expenses. If the discount rate used in the calculation would be one percentage point lower/higher, the fair value would have been approximately 4.7 million higher / 4.0 million lower.

Changes in the carrying amount of investment property

EUR thousand	**Yacht hotel**
Cost at January 1, 2018	45 432
Cost at December 31, 2018	**45 432**
Accumulated depreciation at January 1, 2018	4 515
Depreciation	1 505
Accumulated depreciation and impairment at December 31, 2018	**6 019**
Net book value at January 1, 2018	40 917
Net book value at December 31, 2018	39 412

EUR thousand	**Yacht hotel**
Cost at January 1, 2019	45 432
Cost at December 31, 2019	**45 432**
Accumulated depreciation at January 1, 2019	6 019
Depreciation	1 505
Accumulated depreciation and impairment at December 31, 2019	**7 525**
Net book value at January 1, 2019	39 412
Net book value at December 31, 2019	37 907

Rental income and direct operating expenses related to Yacht hotel recognised in the comprehensive income statement are as follows:

EUR thousand	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Rental income	2 945	2 913
Direct operating expenses from property that generated rental income	103	104

The deferred income recognised in the balance sheet relates to payments received from ISS to renovate and repair the Yacht hotel before the commencement of the lease in 2014. Costs of renovation are included in the fair value of the Yacht hotel. The deferred income is recognised as other income over the time of the depreciation of the improvements.

10. Deferred tax assets and liabilities

EUR thousand	**1 Jan - 31 Dec 2019**	**1 Jan - 31 Dec 2018**
Deferred tax assets:		
Unused tax losses	38	70
Payment received for the improvements of the the Yacht hotel	103	128
Total	140	198
At January 1	198	154
Recognized in income statement	-58	44
Book value at December 31	140	198
Deferred tax liabilities:		
Depreciation difference on investment property	7 161	7 462
Measurement of the borrowings using effective interest method	69	107
Total	7 230	7 569
At January 1	7 569	7 907
Recognized in income statement	-339	-337
Book value at December 31	7 230	7 569
Deferred tax assets and liabilities, net	**7 090**	**7 371**

11. Equity

Number of the shares has been 200 shares since the establishment of the Company. Shares have no nominal value. The Company has not distributed any dividend and the bond agreement set some restrictions for distribution of dividend. However group contributions are allowed. The group contribution recognised directly to equity amounted to EUR 2.500 (2018: EUR 2.412) thousand.

12. Borrowings

EUR thousand	**31 Dec 2019**	**31 Dec 2018**
Non-current:		
Senior secured bond	29 110	29 625
Current:		
Senior secured bond	704	672
Total	**29 814**	**30 297**

As at 26 September 2016 the Company issued senior secured bonds with nominal amount of EUR 32 million to certain qualified institutional investors mainly to finance the existing debt of its sister company

Sunborn UK in the amount of EUR 23.8 million and to provide additional financing to its parent company Sunborn Oy in the amount of EUR 6.5 million. The amount of EUR 0.9 million equivalent of 6 months interest was deposited in a reserve account in the bank (cash collateral). The remaining proceeds were used for general corporate purposes.

The bonds are denominated in euros and mature by 27 September 2021. The bonds are repaid by the Company in 5 small instalments and the remaining amount will be fully redeemed on maturity date at nominal amount. The contractual interest is 5.5% plus 3-month Euribor. The effective interest rate is 6.15%.

Collaterals and guarantees given

The bonds are secured by a 1st lien mortgage in the Yacht hotel and the cash collateral discussed above. Moreover, the Company has pledged all cash flows generated by the lease agreement on the yacht hotel, as well as the loan receivable from the parent company and other intragroup receivables. The normal bank accounts have been pledged to secure the bond repayments, however they can be used by the Company in the ordinary course of business. The bond agreement sets some restrictions on the activities of the Company as described note 4 Financial risk management, section Capital management and note 11 Equity.

The bonds are also secured by an on demand guarantee (In Norwegian: "påkravsgaranti") from Sunborn UK, which were issued under the bond agreement and by a 1st lien floating charge (in Finnish: yrityskiinnitys) registered on the Company's movable property in accordance with the Floating Charge Act. Sunborn UK's sole operations consist of acting as the lessor and lessee of the Yacht hotel. Its revenue consists of rental income. Also Sunborn UK's cash flows and receivables from ISS, as well as their bank accounts have been pledged as security of the bonds.

Moreover, Sunborn Oy has pledged its shares in the Company and Sunborn UK to secure the repayment of the bonds. The financial covenant is further described in note 4 Financial risk management, section Capital Management.

13. Related parties

Transactions with related parties

The group's related parties are its parent company Sunborn Oy, other Sunborn Group entities, the board of directors and key management of the Group 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 group's transactions and outstanding balances with related parties during or at the end of the years presented:

	1 Jan - 31 Dec 2019			**1 Jan - 31 Dec 2018**		
EUR thousand	**Rental income from the operating lease**	**Manage-ment fee**	**Interest income**	**Rental income from the operating lease**	**Manage-ment fee**	**Interest income**
Parent - Sunborn Oy	-	-48	1 559	-	-48	1 559
Sunborn International Oy	-	-24	-	-	-	-
Sunborn International (UK) Ltd	2 945	-	-	2 913	-	-
Total	**2 945**	**-72**	**1 559**	**2 913**	**-48**	**1 559**

EUR thousand	31 Dec 2019 Receivables	 Liabilities	31 Dec 2018 Receivables	 Liabilities
Parent - Sunborn Oy	24 162	-	24 565	5
Sunborn International Oy	-	24	180	-
Sunborn International (UK) Ltd	3 288	-	3 123	-
Total	**27 450**	**24**	**27 868**	**5**

The rental income of the group arises from a lease contract related to the Yacht hotel with the Company´s sister Company, Sunborn UK. The Lease contract ("Bareboat agreement") is in force until terminated by either party subject to six months' prior notice. Sunborn UK has leased the Yacht hotel to ISS under a long term non-cancellable lease contract with a maturity date on April 30, 2029. The lease term of the contract was extended from 10 to 15 years in September 2016. The terms of the senior secured bonds issued by the Company require that the Bareboat agreement is continued for a minimum period of the lease between Sunborn UK and ISS.

The Company has paid for the management fee and received interest income from Sunborn Oy, the parent company. The interest income arises from the loan granted to the parent as described below.

The loan granted to the parent company Sunborn Oy in September 2016 matures in September 2021. The loan receivable accumulates interest income at 6.1% p.a. and is recognised as receivable from the parent company. Fair value of the loan receivable approximates its carrying amount, as the interest rates have not changed much, and the management estimates that the credit standing of the debtor has not changed significantly from the issue date.

The lease receivables from Sunborn UK amounted to approximately EUR 3.3 million on 31.12.2019 (EUR 3.1 million on 31.12.2018). The increase is due to fx fluctuation.

Credit risk of the intra group receivables is further discussed in note 4 Financial risk management.

Sunborn UK has guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is described in note 12 Borrowings.

14. Events after the balance sheet date

The spread of COVID-19 has led to unprecedented and gradually worsening business situation in the hospitality sector all over the world including London. However as discussed below the management expects that Sunborn London's operations and rental income continues at the normal level during the COVID-19 crisis.

Sunborn London's rental income consist solely of rental income from its sister company Sunborn UK, which has rented out the property to the operator ISS UK. As Sunborn UK has no other sources of income, its ability to pay rents to the Company is fully dependent on ISS's rental payments. Sunborn London and the operator ISS UK have secured on 16th March a partial continuation of the hotel and food and beverage operations by supporting the NHS Nightingale Hospital; a new field hospital setup to provide dedicated support for COVID-19 patients. This hospital is housed at ExCel London, the expansive exhibition center which neighbors the Yacht hotel, with capacity for a potential 4,000 patients. Whilst the Sunborn London operations may still be impacted by the closures, particularly if the hospital setup is discontinued, the management is currently expecting the Company's rental income to remain unaffected as per the lease agreement with the sister company, and ultimately with the management partners ISS. The development of the COVID-19 situation and its impact on ISS's capacity to pay rentals is closely monitored. Management expects the hotel and restaurants to begin a recovery towards normality Q3 with recovery towards the end of the year. If the crisis lasts longer than expected, it could impact ISS's ability to pay rentals, and it might also have an impact on the fair value of the Yacht hotel. In this situation Sunborn London Oyj's ability to service its debts and meet the covenant requirements based on current terms and conditions would be at risk.

Further, COVID-19 has impacted Sunborn Group by government imposed temporary closure and restrictions on most of the groups business activities. The Company has long term receivables from its parent entity Sunborn Oy. If the crisis would last significantly longer than expected, the crisis may have adverse impact on Sunborn group's operations, and thus Sunborn Oy's ability to make its interest payments according to the contract and the value of the loan receivables.

INCOME STATEMENT (FAS)

		1.1. - 31.12.2019		1.1. - 31.12.2018
TURNOVER		2 944 825,64		2 912 934,85
Depreciation		-909 046,32		-909 046,32
Other operating charges		-232 258,15		-212 299,34
		==========		==========
EBITA		1 803 521,17		1 791 589,19
Financial income and expenses				
Interest income and financial income	1 662 010,44		1 558 890,00	
Interest expenses and financial expenses	-1 715 828,98	-53 818,54	-1 846 334,20	-287 444,20
		==========		==========
PROFIT BEFORE ADJUSTMENT ITEMS AND TAXES		1 749 702,63		1 504 144,99
Adjustment items				
Group contribution		-2 500 000,00		-2 412 000,00
Increase (-) or decrease (+) in depreciation difference		909 046,32		909 046,32
		==========		==========
PROFIT FOR THE PERIOD		158 748,95		1 191,31

BALANCE SHEET (FAS)

ASSETS	31.12.2019		31.12.2018	
FIXED ASSETS				
Tangible assets				
Machinary and equipment	9 901 159,86		10 810 206,18	
Construction in process	261 205,30	10 162 365,16	261 205,30	11 071 411,48
Investments				
Shares		2 500,00		2 500,00
CURRENT ASSETS				
Receivables				
Receivables from Group companies	24 161 522,12		24 744 897,54	
Other receivables	879 995,95	25 041 518,07	879 995,95	25 624 893,49
Current receivables				
Receivables from Group companies	3 288 083,85		3 122 881,36	
Other receivables	3 121,52		6 399,53	
Prepaid expenses and accrued income	6 866,33	3 298 071,70	7 460,00	3 136 740,89
Cash and bank receivables		345 171,43		419 130,76
		============		============
TOTAL ASSETS		38 849 626,36		40 254 676,62

LIABILITIES	31.12.2019		31.12.2018	
SHAREHOLDERS' EQUITY				
Share capital	80 000,00		80 000,00	
Reserve for invested non-restricted equity	600 000,00		600 000,00	
Retained earnings	3 214,16		2 022,85	
Profit for the period	158 748,95	841 963,11	1 191,31	683 214,16
APPROPRIATIONS				
Accumulated depreciation difference		7 798 916,17		8 707 962,49
LIABILITIES				
Non-current liabilities				
Bonds		29 456 000,00		30 160 000,00
Current liabilities				
Bonds	704 000,00		672 000,00	
Debt to group companies	24 000,00		7 509,60	
Accounts payable	1 708,19		438,15	
Accrued liabilities and deffered income	23 038,89	752 747,08	23 552,22	703 499,97
		============		============
TOTAL LIABILITIES		38 849 626,36		40 254 676,62

NOTES TO THE FINANCIAL STATEMENTS (FAS)

1. ACCOUNTING PRINCIPLES

The accounting period of the company is a calendar year.

Valuation principles for fixed assets

Fixed assets are valued at their current acquisition cost less planned depreciation. Planned depreciation is calculated according to the predefined depreciation plan as straight-line depreciation on the original acquisition cost of fixed assets. Minor acquisitions (below EUR 850) are booked as costs for accounting period.

Depreciation periods based on estimated economic working lives are as follows:
Machinery and equipment 25 years

Receivables and liabilities denominated in foreign currency

Receivables and liabilities denominated in foreign currency are valued on the basis of the average rate on the balance sheet date.

Consolidated Financial Statements

The company belongs to Sunborn Group. The parent company is Sunborn Oy, domicile in Turku.
Copies of group financial statements are available at the Group's Headquarters:
Juhana Herttuan puistokatu 23, 20100 TURKU, FINLAND.

2. DEPRECIATON AND DEPRECIATION DIFFERENCE

	Planned depreciation	Depreciation difference +/-	Total depreciation
Tangible assets			
Machinery and equipment	909 046,32	-909 046,32	0,00

3. OTHER OPERATING EXPENSES

	2019	2018
Administrative expenses	104 254,91	76 007,65
Insurance expenses	101 233,41	104 254,27
Other expenses	26 769,83	32 037,42
Total	232 258,15	212 299,34

4. AUDITOR'S FEES

	2019	2018
Pricewaterhousecoopers Oy		
Audit fees	12 989,87	15 650,00
Tax advice	6 395,00	4 745,10

5. FINANCIAL INCOME AND EXPENSES

	2019	2018
Financial income		
Interest income from group companies	1 558 886,04	1 558 886,03
Other financial income	103 124,40	3,97
Total	1 662 010,44	1 558 890,00
Financial expenses		
Interest expenses	1 709 466,23	1 744 325,67
Other financial expenses	6 362,75	102 008,53
Total	1 715 828,98	1 846 334,20
Financial income and expenses total	-53 818,54	-287 444,20

6. GROUP CONTRIBUTIONS

	2019	2018
Paid group contributions	2 500 000,00	2 412 000,00

7. CHANGES IN FIXED ASSETS

Tangible assets:	2019	2018
Machinery and equipment		
Acquisition cost 1 Jan	24 217 754,42	24 217 754,42
Accumulated depreciation 1 Jan	13 407 548,24	12 498 501,92
Depreciation during the financial year	909 046,32	909 046,32
Accumulated depreciation 31 Dec	14 316 594,56	13 407 548,24
Book value 31 Dec	9 901 159,86	10 810 206,18
Construction in process		
Acquisition cost 1 Jan	261 205,30	261 205,30
Acquisition cost 31 Dec	261 205,30	261 205,30
Accumulated depreciation difference		
Machinery and equipment	7 798 916,17	8 707 962,49

8. INVESTMENTS

Name	Holding %	Domicile
Sunborn London Admin Oy	100 %	Turku

The Company acquired dormant subsidiary (share capital 2.500 EUR) in December 2018.
Subgroup companies include in the Sunborn Group financial statements.

9. INTERCOMPANY BALANCES

		2019	2018
Long-term receivables		24 161 522,12	24 744 897,54
Short-term receivables			
Accounts receivable		3 288 083,85	3 122 881,36
	Total	27 449 605,97	27 867 778,90
Short-term liabilities			
Accounts payable		0,00	5 009,60
Other liabilities		0,00	2 500,00
Accrued liabilities		24 000,00	0,00
	Total	24 000,00	7 509,60

10. SHAREHOLDERS' EQUITY

	2019	2018
Shareholders´ equity		
Share capital 1 Jan	80 000,00	80 000,00
Share capital 31 Dec	80 000,00	80 000,00
Reserve for invested non-restricted equity 1 Jan	600 000,00	600 000,00
Reserve for invested non-restricted equity 31 Dec	600 000,00	600 000,00
Retained earnings 1 Jan	3 214,16	2 022,85
Profit for the period 31 Dec	158 748,95	1 191,31
Total shareholders' equity	841 963,11	683 214,16

Distributable assets 31 Dec		
Reserve for invested non-restricted equity	600 000,00	600 000,00
Retained earnings	3 214,16	2 022,85
Profit for the period	158 748,95	1 191,31
	761 963,11	603 214,16

The number of company shares is 200. Each share entitles equal voting rights and rights to dividend and company assets. The company's shares are 100 % owned by Sunborn Oy.

11. ACCRUED EXPENSES	2019	2018
Interest accrual	23 038,89	23 552,22

12. COLLATERALS AND CONTINGENT LIABILITIES	2019	2018
Bonds	30 160 000,00	30 832 000,00
Mortgages	40 000 000,00	40 000 000,00
Floating charge	41 600 000,00	41 600 000,00
Pledged bank accounts	1 218 073,48	1 292 032,81
Pledged internal receivables	27 449 605,97	27 867 778,90

SIGNATURES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Turku, April 30, 2020

Ritva Niemi | Pekka Niemi
Chairman of the Board | Board member and Chief Executive Officer

Hans Niemi | Jari Niemi
Board member | Board member

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Turku, April 30, 2020

PricewaterhouseCoopersOy

Authorized Public Accountant Firm

Kalle Laaksonen

Authorized Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Sunborn London Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the financial statements give a true and fair view of the company's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Sunborn London Oyj (business identity code 2726819-7) for the year ended 31 December 2019. The financial statements comprise:

- balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

PricewaterhouseCoopers Oy, Authorised Public Accountants, P.O. Box 1015 (Itämerentori 2), FI-00101 HELSINKI
Phone +358 20 787 7000, Fax +358 9 641 367, www.pwc.fi
Reg. Domicile Helsinki, Business ID 0486406-8

Our Audit Approach

Overview

Materiality

- Overall materiality: 71 thousand euros, which represents 2.5% of profit before interest, taxes and depreciation.

Group scoping

- The group audit scoping encompassed the parent company

Key audit matters

- Revenue recognition
Investment property valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall materiality	71 thousand euros
How we determined it	2.5% of company profit before interest, taxes and depreciation.
Rationale for the materiality benchmark applied	*We chose profit before interest, taxes and depreciation as the benchmark because in our view, it is the benchmark against which the performance of the company is most commonly measured by users, and is a generally accepted benchmark. We chose 2.5% which is within the range of acceptable quantitative materiality thresholds in auditing standards.*

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates. The group operates mainly in the parent company. The group audit scope encompassed the parent company. We determined that no risk for material misstatements relates to the subsidiary and therefore our procedures regarding this entity comprised only of analytical procedures performed at group level. By performing the procedures above, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole in order to provide an opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the company	How our audit addressed the key audit matter
Revenue recognition *Refer to Accounting policies and note 5* Revenue consists of rental income from lease contract. Rental income is booked as a revenue as straight-line basis based on the lease contract.	We reviewed the appropriateness of the company´s accounting policies regarding revenue recognition. We assessed compliance with policies in terms of applicable accounting standards. In audit of revenue recognition, we focused on lease agreement. We tested the booked revenue by comparing it to the lease agreement.
Valuation of investment property *Refer to Accounting policies and note 9* Company´s investment property consists of Yacht hotel.	We reviewed the company´s process and control environment for investment property. We assessed the management´s ability to make assumptions and estimations when assessing the recoverable amount of investment property. In our assessment, we focused on cash flow forecast, useful

lifetime of investment property and to the discount rate.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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 Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is 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 good auditing practice 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 good auditing practice, we exercise professional judgment and maintain professional skepticism 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 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 management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's 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 so that the financial statements give a true and fair view.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 19 November 2015. Our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

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. With respect to the report of the Board of Directors, our responsibility includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Turku 30 April 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kalle Laaksonen
Authorised Public Accountant (KHT)