SUNBORN LONDON

FINANCIAL STATEMENTS 2020
SUNBORN LONDON OYJ

sunborn

CONTENTS

REPORT OF BOARD OF DIRECTORS 2020

Key Figures (IFRS)

EUR thousand	**1 Jan - 31 Dec 2020**	**1 Jan - 31 Dec 2019**
Rental income	2 675	2 945
Settlement fee	4 757	0
Operating profit	5 718	1 336
Investment property (yacht hotel)	36 402	37 907
Total Equity	28 441	29 128
Borrowings	29 307	29 814

Financial summary 1 January - 31 December 2020

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

Rental Income for the reporting period was 2.68 M€ (2.95 M€) and other income for the period contains extraordinary income of 4,76 MEUR relating to the termination of the ISS Management Lease on 31.12.2020. On 29th December 2020 the bondholders approved the amendment of the Bond Terms and the ratification of the ISS Settlement agreement, namely the termination of the ISS management lease, Sunborn UK taking over the management agreement responsibilities and a 3 months' transition period beginning on the 31st December 2020. The Settlement amount paid by ISS consists of an agreed termination payment and has a significant impact in the Sunborn London Oyj financial capability going forward and an early bond repayment of 5 MEUR.

Operating costs are in line with previous year. Extra costs were caused by reorganization.

Book value of the yacht hotel as of 31 December 2020 approximates the fair value of the yacht hotel based on income approach using discounted cash flow analyses. The management has considered the influence of Covid-19 in the fair value and continues to carefully monitor any further consequences of the Covid-19.

Notable events during the reporting period

Take over the London operations and amendments to bond terms

Due to an announced strategic decision by management partner ISS to withdraw from UK hotel operations, the Company, Sunborn UK and ISS Facility Services Ltd negotiated a Settlement Agreement with the objective of an early termination of remaining ISS management lease for the Sunborn London hotel and consequently Sunborn UK taking over the management agreement responsibilities and a transition period from 1st of January 2021. The Settlement includes a lump sum amount paid by ISS to cover the expected loss, costs and commercial risks transferred to Sunborn London Oyj and Sunborn International (UK) Ltd.

After the in-principle agreement with ISS, the Company issued a request to its bondholders to accept a Proposal which included the negotiated Settlement exit offer. The Proposal was broadly accepted by bondholders and therefore Sunborn's current operating entity in UK will begin transfer operations on 1st January 2021 from ISS management.

Amendments to the Bond Terms included early amortization of the outstanding bond by 5.0 MEUR, which took place on the 17th February 2021. The remaining proceeds from the settlement remain in the hotel operating company for working capital and general corporate purposes. Amendments also included:

- an option to extend the maturity of the bond to by 6 months or until September 2022 with extension fee of 4 % and 8 % respectively.
- an interest coverage ratio covenant, which requires the Issuer to generate EBITDA minimum of 1.1 times the net finance charges
- Sunborn International Holding Oy as guarantor (owner of Sunborn's two yacht hotels, Sunborn Gibraltar and Sunborn London)
- the ability to use any government funding programs in the operating company (unsecured) if available with a limit of EUR 2 million.

The Bareboat charter agreement between Sunborn UK and the Company was renewed with a fixed sum of GBP 195,000 per month as per the amended Bareboat Charter Agreement (dated on 29.12.2020) effective from 1st January 2021 onwards.

Sunborn management views the settlement agreement provided a major positive boost to the financial standing of the Company at the end of a difficult trading year due to Covid 19, reducing a large proportion of outstanding debt by an early repayment of 5.0 MEUR and improving key financial parameters in preparation for refinancing of the bond due September 2021. As part of the Settlement, operator company Sunborn UK has secured an increase in working capital funds to deal with the immediate operating environment and the takeover provides clearly identified opportunities to better manage sales, reduce costs and increase profitability through synergies from other Sunborn operations and importantly allow for fast and effective management response in and fluid and extraordinary operating environment. The current management and staff of the hotel transfered to Sunborn UK.

Extraordinary operational lease adjustment

In light of the pandemic caused extraordinary operational circumstance and the resulting loss of operator's hotel revenues and contractual obligations agreed in the ISS Management lease agreement to provide assistance in extraordinary trading circumstances (Covid 19), ISS and Sunborn UK agreed to implement a temporary 15 % discount of the lease fee starting 1st July 2020. Corresponding discount for the corresponding period applied also to the intra-group contract between the Company and Sunborn UK, decreasing thus the company's lease income by 15 %.

Business environment

UK officially left the EU on 31.1.2020 and the Brexit transition period ended 31.12.2020.

Due to Brexit the volatility in pound sterling versus euro is expected to continue while Sunborn Group has implemented certain currency hedges to alleviate but not completely remove the risk of declining pound versus euro. 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.

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 has paid Sunborn UK a fixed sum per month in lease.

From 1st January 2021 onwards the Bareboat charter agreement between the hotel operator, Sunborn UK and the Company was on 29th December 2020 renewed with a fixed sum of GBP 195,000 per month to account for the termination of the ISS Settlement Agreement.

Customer satisfaction continues to be excellent reflected in the current score of 8.5/10 “Very good” on Booking.com, 8.6/10 “Fabulous” on Hotels.com, 4.3/5 “Excellent” on Expedia and #382 out of 1,135 hotels in London on TripAdvisor.

Estimated future development

The management has, prior to entering into the Settlement agreement, carefully planned the future business operations including the expected impact and continuation of pandemic restrictions on the hotel’s operations.

Despite the obvious challenges of the pandemic, management believes the property will continue successful operations under the current management and the hotel to be placed in an excellent location, benefitting from the ongoing and continued growth and development of the Royal Docks area and the Excel center.

Sunborn UK is transferring over all the existing hotel staff and management from ISS and has identified synergies in sales, marketing and costs with other Sunborn properties, expecting to improve overall stabilized profitability once the normal trading conditions are restored. Management considers Sunborn UK to have sufficient resource available to weather out the current lockdowns and expects the market conditions to improve towards the summer of 2021. Despite the Covid-19 pandemic the Company’s financial performance and debt service capacity is expected to remain stable.

UK has successfully managed the Covid 19 response and is in the forefront of international vaccination progress, gradual opening of the society and removal of restrictions on hospitality businesses. UK Hotels as per recent government announcements are expected to be able to continue normal operations in mid to end May. Management has high confidence the planned ISS exit strategy and forward looking business view will be successful.

Notable events after the end of the reporting period

Amendments to the Bond Terms included an early repayment of the bond by 5.0 MEUR, which took place on the 17th February 2021

Company has implemented the transfer of operations and staff from ISS to Sunborn UK. The hotel has been restricted in offering services, other than those provided for eligible support staff and eligible travelers.

Refinancing of the bond is under negotiation with several parties and the company is exploring various refinancing instruments.

Parent entity Sunborn International Holding Oy has received full planning permission for developing a new yacht hotel with permanent planning permission in the current site. This provides a solid foundation for long term development of the UK business.

Short-term risks and uncertainties

The Company´s financial risks related to business are market risk including interest rate risk and foreign currency risk, credit risk, liquidity risk and refinancing risk.

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

The transfer of operations from ISS to Sunborn UK contains commercial risks related to the continuation of the pandemic and restrictions imposed po the UK hospitality industry. The Sunborn London continues to operate under challenging conditions but management expects the cash reserves of the Sunborn UK to be sufficient to weather out the current lock down and continue to pay the monthly lease.

The current Covid-19 outbreak impacts negatively hotel market in London and the Company's credit risk and liquidity risk through operator being able to continue operating the hotel, meet its commitments under the Bareboat Charter agreement and the Company to pay the interest and other payments related to bond.

The Company's bond is maturing for repayment on 29th September 2021. Management views the current high yield market conditions to be less favourable due to the higher industry risk and ongoing pandemic risk but financing to be available subject to terms and conditions. When the Bond Terms were amended, the bond was remeasured by discounting the amended cash flows using the original effective interest rate. The management has applied significant judgement in estimating the contractual cash flows. The management has assessed that it will not use the extension option and will repay the bond at its original maturity date.

The company management considers the ISS Settlement to have improved the credit metrics of the Company, lowering the loan to value and interest payment cover ratio, however also removing a long-term third-party lease agreement, which may impact the terms and conditions and availability of certain types of financing. Prior to the early 5 MEUR repayment of the loan, senior secured bank financing was outside expected parameters, but with the current lowered outstanding bond amount at 24.5 MEUR, there are more financing options available including bank debt, sale and lease-back, senior secure bond, private placement and structured financing. On 29th December 2020 the bondholders approved the amendment of the Bond Terms and the company has options to extend the bond maturity by 6 months or alternatively until 5th September 2022, however management is currently implementing a strategy of a full refinancing of the bond prior to original maturity and will assessing the likely success and uncertainty over the coming months.

Financial risk management carried out by the management of the Company aims to protect the Company 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.

Covid 19 pandemic

The Covid-19 outbreak is severely and negatively affecting the tourism market globally. As the Company is reliant on the ability of the operator to pay rent, recent restricted operation of the underlying business and the subsequent forecasted recovery period is likely to affect the performance of the operator in the short and medium term.

Prolonged Covid-19 restrictions could further impact the Company's business through continued negative influence on the operator. The consequences of the unprecedented crisis are difficult to predict, and it is unknown when the recovery of the affected businesses will take place. Prolonged crisis could also in the long term impair the fair value of the yacht hotel.

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 2020 the Board had 4 meetings.

Members of the Board of Directors in 2020 were Ritva Niemi, Pekka Niemi, Hans Niemi and Jari Niemi. There has not been any remuneration for the Board of Directors in 2020. Sunborn London Oyj has no committees.

Sunborn London Oyj's Board of Directors appoints the Chief Executive Officer. The CEO Hans 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 2020**	**1 Jan -31 Dec 2019**
Rental income from group companies	5,13	2 675	2 945
Other operating income	5	4 886	128
Depreciation	9	-1 505	-1 505
Other operating expenses	6	-339	-232
Operating profit		**5 718**	**1 336**
Finance income	7,13	1 579	1 662
Finance costs	7	-2 082	-1 905
Finance income and costs, net		-503	-243
Profit before taxes		**5 214**	**1 093**
Income tax expense	8	(0)	-
Change in deferred tax	8	-1 043	-219
Profit for the period		**4 171**	**874**
Total comprehensive income for the period		**4 171**	**874**

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	**31 Dec 2020**	**31 Dec 2019**
Assets			
Non-current assets			
Investment property	9	36 402	37 907
Receivables from group companies	13	19 777	24 162
Cash collateral	12	880	880
Total non-current assets		**57 060**	**62 949**
Current assets			
Trade receivables from group companies	13	3 191	3 288
Trade and other receivables		21	10
Cash and cash equivalents		5 501	348
Total current assets		**8 713**	**3 646**
Total assets		**65 773**	**66 595**
Equity and liabilities			
Share capital	11	80	80
Reserve for invested unrestricted equity		600	600
Retained earnings		27 761	28 448
Total equity		**28 441**	**29 128**
Liabilities			
Non-current liabilities			
Borrowings	12	-	29 110
Deferred income	5	257	385
Deferred income tax liabilities	10	6 918	7 090
Total non-current liabilities		**7 175**	**36 585**
Current liabilities			
Trade and other payables		10	2
Payables to group companies	13	50	24
Borrowings	12	29 307	704
Deferred income	5	128	128
Accrued expenses		663	23
Total current liabilities		**30 158**	**881**
Total liabilities		**37 333**	**37 466**
Total equity and liabilities		**65 773**	**66 595**

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 1.1.2019	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**
Equity at 1.1.2020	80	600	28 448	**29 128**
Profit for the period			4 171	4 171
Total comprehensive income	0	0	4 171	4 171
Transactions with owner:				
Group contribution			-4 858	-4 858
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	0	-4 858	-4 858
Equity at 31.12.2020	80	600	27 761	28 441

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

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 31 Dec 2020	1 Jan - 31 Dec 2019
Cash flows from operating activities			
Profit before tax		5 214	1 093
Adjustments for			
Amortisation of deferred income	4	-128	-128
Depreciation	4	1 505	1 505
Finance income and costs, net		503	243
Change of working capital			
Change in trade and other receivables		86	-161
Change in trade and other payables		674	20
Net cash flows from operating activities		**7 854**	**2 571**
Cash used in investing activities			
Net cash flows used in investing activities		**-**	**-**
Cash flows from financing activities			
Repayment of borrowings		-704	-672
Contribution from/to Sunborn group companies	7	-130	-357
Transaction / loan agent costs		-9	-6
Interest and finance costs paid		-1 681	-1 710
Net cash flows from financing activities		**-2 525**	**-2 746**
Cash and cash equivalents at the beginning of period		348	419
Effects of exchange rate changes on cash and cash equivalents		-176	103
Change in cash and cash equivalents		**5 153**	**-71**
Cash and cash equivalents at the end of period		**5 501**	**348**

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

NOTES TO THE FINANCIAL STATEMENTS (IFRS)

1. General information

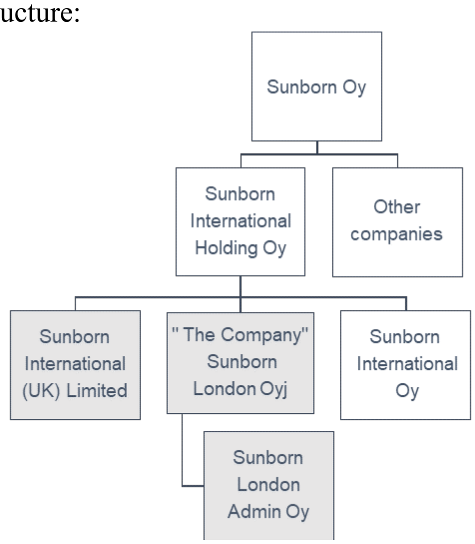
Sunborn London Oyj is a public limited liability company ("the Company") incorporated in Finland. The registered address of Sunborn London Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn London Oyj was established on April 30, 2016 through a demerger of Sunborn International Oy. Sunborn 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 have been run by management company ISS Facility Services Ltd ("ISS") in accordance with a lease contract between ISS and Sunborn UK until the end of 2020. In the beginning of the year Sunborn UK took over the operations after the transition from ISS management.

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 2020 and 2019. 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.

On 30th April, 2020, Sunborn Oy transferred its ownership in the Company to a newly established company Sunborn International Holding Oy, which thus became a new parent company of Sunborn London Oyj owning 100 % of the shares of the Company, as well as Sunborn UK. Sunborn International Holding Oy. Sunborn International Holding Oy is a family-owned company based in Finland. Sunborn Group 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 16 subsidiaries as at December 31, 2020 ("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, 2020. 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. 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.

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.

Going concern and liquidity risk

The transfer of operations from ISS to Sunborn UK contains commercial risks related to the continuation of the pandemic and restrictions imposed po the UK hospitality industry. The Sunborn London continues to operate under challenging conditions and the management expects the cash reserves of the Sunborn UK to be sufficient to weather out the current lock down and continue to pay the monthly lease. The Company´s financial risks related to business are market risk including interest rate risk and foreign currency risk, credit risk, liquidity risk and refinancing risk. The current Covid-19 outbreak impacts negatively London hotel market and Sunborn London's credit risk and liquidity risk through operator being able to continue operating the hotel, meet its commitments under the lease agreement and Sunborn London Oyj to pay the interest and other payments related to bond.

The Company bond is maturing for repayment on 29th September 2021. Management views the current high yield market conditions to be less favorable due to the higher industry risk and ongoing pandemic risk but financing to be available subject to terms and conditions. When the bond terms were amended, the bond was remeasured by discounting the amended cash flows using the original effective interest rate. The management has applied significant judgement in estimating the contractual cash flows. The management has assessed that it will not use the extension option and will repay the bond at its original maturity date.

The company management considers the ISS Settlement to have improved the credit metrics of theCompany, lowering LTV and interest payment cover ratio, however also removing a long-term third-party lease agreement, which may impact the terms and conditions and availability of certain types of financing. Prior to the early 5.0 MEUR repayment of the loan, senior secured bank financing was outside expected parameters, but with the current lowered outstanding bond amount at 24.5 MEUR, there are more financing options available including bank debt, sale and lease-back, senior secure bond, private placement and structured financing. On 29th December 2020 the bondholders approved the amendment of the bond terms and conditions and the company has options to extend the bond maturity by 6 months or alternatively until 5th September 2022, however management is currently implementing a strategy of a full refinancing of the bond prior to original maturity and will assessing the likely success and uncertainty over the coming months.

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 International Holding 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 International Holding 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 2020 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 2020 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 ultimate 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 Brexit.

The management of the company closely monitors the development of the GBP/EUR exchange rate and aims to protect the Company against unfavorable developments. Sunborn Oy, the parent of the Company, has hedged foreign exchange risk at the Sunborn Group level by using window forward rate contract.

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

EUR thousand	**31 Dec 2020**	**31 Dec 2019**
Lease receivables	3 191	3 288
Cash and cash equivalents	5 452	234
Total	**8 643**	**3 522**

At December 31, 2020, if the GB Pound strengthened/weakened by 15% against the euro, post-tax profit for the year would have been EUR 1 127 thousand (2019: EUR 459 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, 2020 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 International Holding Oy amounts to EUR 19,8 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, 2020.

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 International Holding 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 International Holding 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. The lease receivables from Sunborn UK amounted to approximately EUR 3.2 million on 31.12.2020 (EUR 3.3 million on 31.12.2019). 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 current Covid-19 outbreak impacts negatively hotel market in London and the Company's credit risk. The transfer of operations from ISS to Sunborn UK contains credit risks related to the continuation of the pandemic and restrictions imposed to the UK hospitality industry. The Sunborn London continues to operate under challenging conditions but management expects the cash reserves of the Sunborn UK to be sufficient to weather out the current lock down and continue to pay the monthly lease.

The most significant receivable is the loan granted to the parent Sunborn Oy in 2017 and transferred to Sunborn International Holding Oy in 2020. 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 2020	31 Dec 2019
Not due	-	253
Less than 6 months past due	3 191	1 264
6 - 12 months past due	-	1 516
Over 12 months past due	-	256
Total	**3 191**	**3 288**

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.

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 2020

EUR thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Payables to group companies	50	-	-	-	50
Trade and other payable	9	-	-	-	9
Senior secured bond	29 307	-	-	-	29 307
Senior secured bond, interest payments	1 030	-	-	-	1 030
Total	30 396	-	-	-	**30 396**

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**

The refinancing risk is managed by securing the refinancing early enough. The Company's bond is maturing for repayment on 29th September 2021. Management views the current high yield market conditions to be less favorable due to the higher industry risk and ongoing pandemic risk but financing to be available subject to terms and conditions. When the Bond Terms were amended, the bond was remeasured by discounting the amended cash flows using the original effective interest rate. The management has applied significant judgement in estimating the contractual cash flows. The management has assessed that it will not use the extension option and will repay the bond at its original maturity date.

The company management considers the ISS Settlement to have improved the credit metrics of the Company, lowering the loan to value and interest payment cover ratio, however also removing a long-term third-party lease agreement, which may impact the terms and conditions and availability of certain types of financing. Prior to the early 5 MEUR repayment of the loan, senior secured bank financing was outside expected parameters, but with the current lowered outstanding bond amount at 24.5 MEUR, there are more financing options available including bank debt, sale and lease-back, senior secure bond, private placement and structured financing. On 29th December 2020 the bondholders approved the amendment of the Bond Terms and the company has options to extend the bond maturity by 6 months or alternatively until 5th September 2022, however management is currently implementing a strategy of a full refinancing of the bond prior to original maturity and will assessing the likely success and uncertainty over the coming months.

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 of rental income from Sunborn UK.

Despite the change in operator in 2021, the amended Bareboat charter agreement between Sunborn UK and the Company remains in place with a fixed sum of GBP 195,000 per month in lease. Bareboat charter agreement is in force until terminated by either party subject to six months' prior notice. In 2019 the period for which the lease payments were presented are based on the term of the contract between ISS and Sunborn UK. Rental income relates to investment property, see note 9 for details.

Future minimum lease payments from the lease contract translated at exchange rate prevailing on each balance sheet date are as follows:

EUR thousand	**31 Dec 2020**	**31 Dec 2019**
Within 1 year	651	3 032
Between 1 and 2 years	-	3 032
Between 2 and 3 years	-	3 032
Between 3 and 4 years	-	3 032
Between 4 and 5 years	-	3 032
Later than 5 years	-	13 141
Total	**651**	**28 303**

Sunborn UK has paid in December 2020 in advance the 3 months' lease payments, so the table above only reflects the lease payments for 3 months' period.

Other income relates mostly to the one-time settlement exit fee from Sunborn UK due to the termination of contract with ISS.

Smaller item in 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 2020	1 Jan - 31 Dec 2019
Insurance	121	101
Professional services	95	46
Management fee	114	73
Administrative expenses	9	12
Total	**339**	**232**

Auditor's fee

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Statutory fees	16	13
Other services	2	6
Total	**18**	**19**

7. Finance income and costs

Finance income and costs are presented in the table below:

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Finance income:		
Interest income on loan given to parent company	1 559	1 559
Foreign exchange gains	20	103
Total finance income	1 579	1 662
Finance expenses:		
Interest expenses on borrowings	-1 872	-1 899
Foreign exchange losses	-210	-6
Total finance costs	-2 082	- 1 905
Finance income and costs, net	**-503**	**-243**

Foreign exchange losses relate mainly 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 2020 and in 2019 was 20 %.

Income tax expense

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Current tax	0	0
Change in deferred taxes	-1 043	-219
Total	**-1 043**	**-219**

Tax charge

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Profit before income tax	5 214	1 093
Previously unregognized tax losses	0	0
Tax calculated at Finnish tax rate (20%)	-1 043	-219
Total	**-1 043**	**-219**

9. Investment property

The Group 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 and from 1st January 2021 by Sunborn International UK Ltd. The investment property is carried at cost less any accumulated depreciation and any accumulated losses.

The Yacht hotel is registered in Finland but located in London, United Kingdom, where it is leased under a bareboat charter agreement to Sunborn UK. ISS Facility services has been responsible for the management up until 31.12.2020 and thereafter the responsibility lies with Sunborn International (UK) ltd. ISS and Sunborn have agreed a management contract transition period to hand over the operation and staff.

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.

Fair value measurement of the Yacht hotel

Fair value of the yacht hotel as at 31 December 2020 has been estimated to be EUR 36 million (31.12.2019: EUR 43 million). The fair value has been determined based on income approach using discounted cash flow analyses. The fair value measurement is based on unobservable inputs and accordingly, is classified in Level 3 in the fair value hierarchy. The volatility in the fair value is due to the impact of the takeover of the operations from ISS to estimated cash flows and from the fluctuation of the GBP/EUR exchange rate. Fair value of the yacht hotel as at 31, December 2020 approximates the book value of the yacht hotel. The management has considered the impact of Covid-19 in the fair value and continue to carefully monitor any further impact of the Covid-crisis on the fair value and thus possible impairment of the Yacht Hotel.

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 lease contract 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 3.8 million higher / 3.2 million lower.

Changes in the carrying amount of investment property

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

EUR thousand	**Yacht hotel**
Cost at January 1, 2020	45 432
Cost at December 31, 2020	**45 432**
Accumulated depreciation at January 1, 2020	7 525
Depreciation	1 505
Accumulated depreciation and impairment at December 31, 2020	**9 030**
Net book value at January 1, 2020	37 907
Net book value at December 31, 2020	36 402

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 2020**	**1 Jan - 31 Dec 2019**
Rental income	2 675	2 945
Direct operating expenses from property that generated rental income	121	103

10. Deferred tax assets and liabilities

EUR thousand	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Deferred tax assets:		
Unused tax losses	0	38
Payment received for the improvements of the the Yacht hotel	77	103
Total	77	140
At January 1	140	198
Recognized in income statement	-63	-58
Book value at December 31	77	140
Deferred tax liabilities:		
Depreciation difference on investment property	6 965	7 161
Measurement of the borrowings using effective interest method	30	69
Total	6 995	7 230
At January 1	7 230	7 569
Recognized in income statement	-235	-339
Book value at December 31	6 995	7 230
Deferred tax assets and liabilities, net	**6 918**	**7 090**

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 6.073 (2019: EUR 2.500) thousand.

12. Borrowings

EUR thousand	31 Dec 2020	31 Dec 2019
Non-current:		
Senior secured bond		29 110
Current:		
Senior secured bond	29 307	704
Total	**29 307**	**29 814**

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 bond terms were amended on 29 December 2020. Amendments to the Bond Terms include early amortization of the outstanding bond by 5.0 MEUR, which took place on the 17th February 2021. The remaining proceeds from the settlement will remain in the hotel operating company Sunborn UK to handle working capital needs. Amendments also include

- an option to extend the maturity of the bond by 6 months for extension fee of 4% (€0.9M) or up until September 2022 with extension fee of 8 % (€1.9 M).
- an interest coverage ratio covenant, which requires the Issuer to generate EBITDA minimum of 1.1 times the net finance charges
- Sunborn International Holding Oy as guarantor (owner of Sunborn's two yacht hotels, Sunborn Gibraltar and Sunborn London)
- the ability to use any government funding programs in the operating company (unsecured) if available with a limit of EUR 2 million.

The bonds are repaid by the Company in 5 small instalments (with extension in 6 small instalments) and the remaining amount will be fully redeemed on maturity date at the nominal amount (with extension option at a price of 108 % of the nominal amount on the new maturity date). The contractual interest is 5.5 % plus 3-month Euribor. The effective interest rate is 6.15 %.

The management estimates that the fair value of the bonds payable approximates the carrying amount, as interest rates have not changed much and the management estimates that the credit standing of Sunborn London has not changed significantly from the issue date. When the bond terms were amended, the bond was remeasured by discounting the amended cash flows using the original effective interest rate. The management has applied significant judgement in estimating the contractual cash flows. The management has assessed that it will not use the extension option and will repay the bond at its original maturity date. Accordingly, bond extension fees are not included in the modified cash flows

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 from Sunborn UK, which were issued under the bond agreement and by a 1st lien floating charge registered on the Company's movable property in accordance with the Floating Charge Act. Until the end of year 2020 Sunborn UK's sole operations consisted of acting as the lessee and lessor of the Yacht hotel. Since 2021 operations consist of acting as the lessee and operator of the Yacht hotel. Its revenue consists of rental income and 2021 forward operational hotel income. Also, Sunborn UK's cash flows and receivables, as well as their bank accounts have been pledged as security of the bonds.

As explained above, the amendments to the bond terms introduced an interest coverage ratio covenant for Sunborn London Oyj EBITDA to Net Financial charges of 1.1 to 1.0 ratio and Sunborn International Holding Oy was added as guarantor for 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

Sunborn Oy has transferred as a contribution in kind its business operations relating to the yacht hotel business to Sunborn International Holding Oy, which became the direct owned of the Group on 30 April 2020.

Related parties are the ultimate parent company Sunborn Oy, the direct parent company Sunborn International Holding 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 2020			1 Jan – 31 Dec 2019		
EUR thousand	**Rental income from the operating lease**	**Management fee**	**Interest income**	**Rental income from the operating lease**	**Management fee**	**Interest income**
Ultimate parent - Sunborn Oy	-	-50	518	-	-48	1 559
Parent - Sunborn International Holding Oy	-	-40	1 041	-	-	-
Sunborn International Oy	-	-24	-	-	-24	-
Sunborn UK	7 433	-	-	2 945	-	-
Total	**7 433**	**-114**	**1 559**	**2 945**	**-72**	**1 559**

	31 Dec 2020		31 Dec 2019	
EUR thousand	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Ultimate parent - Sunborn Oy	-	-	24 162	-
Parent - Sunborn International Holding Oy	19 777	50	-	-
Sunborn International Oy	-	-	-	24
Sunborn Saga Oy	-	-	-	-
Sunborn UK	3 191	-	3 288	-
Total	**22 968**	**50**	**27 450**	**24**

The rental income arises from a lease contract related to the Yacht hotel with Sunborn UK. The Bareboat charter agreement is in force until terminated by either party subject to six months' prior notice. In 2020 rental income contains extraordinary income of 4,76 MEUR relating to the termination of the ISS Management Lease.

The Group has paid management fee to Sunborn Oy, Sunborn International Holding Oy and Sunborn International Oy and received interest income from Sunbnr Oy and Sunborn International Holding Oy. The interest income arises from the loan granted to the parent as described below.

The intercompany receivable from the parent company Sunborn Oy in September 2016, and legally transferred to the new parent company Sunborn International Holding Oy in April 2020. 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 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 3.2 million on 31.12.2020 (EUR 3.3 million on 31.12.2019).

Sunborn UK and Sunborn International Holding Ltd have 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

Amendments to the Bond Terms included an early repayment of the bond by 5.0 MEUR, which took place on the 17th February 2021

Company implemented the transfer of operations from ISS to Sunborn UK over the 1st quarter and completed the TUPE transfer of staff at end of March.

Refinancing negotiations are ongoing with several parties and the company is exploring various refinancing instruments.

Sunborn International Holding Oy received full planning permission for developing a new yacht hotel with permanent planning permission in the current site. This provides a foundation for long term development of the UK business.

INCOME STATEMENT (FAS)

		1.1. - 31.12.2020		1.1. - 31.12.2019
TURNOVER		7 432 811,58		2 944 825,64
Depreciation		-909 046,32		-909 046,32
Other operating charges		-338 631,34		-232 258,15
		==========		==========
EBITA		6 185 133,92		1 803 521,17
Financial income and expenses				
Interest income and financial income	1 578 903,37		1 662 010,44	
Interest expenses and financial expenses	-1 885 953,10	-307 049,73	-1 715 828,98	-53 818,54
		==========		==========
PROFIT BEFORE ADJUSTMENT ITEMS AND TAXES		5 878 084,19		1 749 702,63
Adjustment items				
Group contribution		-6 073 000,00		-2 500 000,00
Increase (-) or decrease (+) in depreciation difference		383 485,40		909 046,32
Income taxes		-450,00		0,00
		==========		==========
PROFIT FOR THE PERIOD		188 119,59		158 748,95

BALANCE SHEET (FAS)

ASSETS	31.12.2020		31.12.2019	
FIXED ASSETS				
Tangible assets				
Machinary and equipment	8 992 113,54		9 901 159,86	
Construction in process	261 205,30	9 253 318,84	261 205,30	10 162 365,16
Investments				
Shares		2 500,00		2 500,00
CURRENT ASSETS				
Receivables				
Receivables from Group companies	19 777 408,15		24 161 522,12	
Other receivables	879 995,95	20 657 404,10	879 995,95	25 041 518,07
Current receivables				
Receivables from Group companies	3 191 233,13		3 288 083,85	
Other receivables	12 998,24		3 121,52	
Prepaid expenses and accrued income	8 259,00	3 212 490,37	6 866,33	3 298 071,70
Cash and bank receivables		5 498 439,29		345 171,43
		============		============
TOTAL ASSETS		38 624 152,60		38 849 626,36

LIABILITIES	31.12.2020		31.12.2019	
SHAREHOLDERS' EQUITY				
Share capital	80 000,00		80 000,00	
Reserve for invested non-restricted equity	600 000,00		600 000,00	
Retained earnings	161 963,11		3 214,16	
Profit for the period	188 119,59	1 030 082,70	158 748,95	841 963,11
APPROPRIATIONS				
Accumulated depreciation difference		7 415 430,77		7 798 916,17
LIABILITIES				
Non-current liabilities				
Bonds		0,00		29 456 000,00
Current liabilities				
Bonds	29 456 000,00		704 000,00	
	644 983,46			
Debt to group companies			24 000,00	
Accounts payable	59 654,78		1 708,19	
Accrued liabilities and deffered income	18 000,89	30 178 639,13	23 038,89	752 747,08
		============		============
TOTAL LIABILITIES		38 624 152,60		38 849 626,36

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	-383 485,40	525 560,92

3. OTHER OPERATING EXPENSES

	2020	2019
Administrative expenses	143 695,95	104 254,91
Insurance expenses	120 968,30	101 233,41
Other expenses	73 967,09	26 769,83
Total	338 631,34	232 258,15

4. AUDITOR'S FEES

	2020	2019
Pricewaterhousecoopers Oy		
Audit fees	15 815,00	12 989,87
Tax advice	5 694,00	6 395,00

5. FINANCIAL INCOME AND EXPENSES

	2020	2019
Financial income		
Interest income from group companies	1 558 886,03	1 558 886,04
Other financial income	20 017,34	103 124,40
Total	1 578 903,37	1 662 010,44
Financial expenses		
Interest expenses	1 676 321,30	1 709 466,23
Other financial expenses	209 631,80	6 362,75
Total	1 885 953,10	1 715 828,98
Financial income and expenses total	-307 049,73	-53 818,54

6. GROUP CONTRIBUTIONS

	2020	2019
Paid group contributions	6 073 000,00	2 500 000,00

7. CHANGES IN FIXED ASSETS

Tangible assets:	2020	2019
Machinery and equipment		
Acquisition cost 1 Jan	24 217 754,42	24 217 754,42
Accumulated depreciation 1 Jan	14 316 594,56	13 407 548,24
Depreciation during the financial year	909 046,32	909 046,32
Accumulated depreciation 31 Dec	15 225 640,88	14 316 594,56
Book value 31 Dec	8 992 113,54	9 901 159,86
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	7 415 430,77	7 798 916,17

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

		2020	2019
Long-term receivables		19 777 408,15	24 161 522,12
Short-term receivables			
Accounts receivable		3 191 233,13	3 288 083,85
	Total	22 968 641,28	27 449 605,97
Short-term liabilities			
Accounts payable		0,00	0,00
Other liabilities		0,00	0,00
Accrued liabilities		18 000,89	24 000,00
	Total	18 000,89	24 000,00

10. SHAREHOLDERS' EQUITY

	2020	2019
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	161 963,11	3 214,16
Profit for the period 31 Dec	188 119,59	158 748,95
Total shareholders' equity	1 030 082,70	841 963,11

Distributable assets 31 Dec		
Reserve for invested non-restricted equity	600 000,00	600 000,00
Retained earnings	161 963,11	3 214,16
Profit for the period	188 119,59	158 748,95
	950 082,70	761 963,11

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	2020	2019
Interest accrual	18 000,89	23 038,89

12. COLLATERALS AND CONTINGENT LIABILITIES	2020	2019
Bonds	29 456 000,00	30 160 000,00
Mortgages	40 000 000,00	40 000 000,00
Floating charge	41 600 000,00	41 600 000,00
Pledged bank accounts	6 371 341,34	1 218 073,48
Pledged internal receivables	22 968 641,28	27 449 605,97

SUNBORN LONDON OYJ - SIGNATURES FOR THE REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Turku, April 16, 2021

Ritva Niemi	Pekka Niemi
Chairman of the Board	Board member
Hans Niemi	Jari Niemi
Chief Executive Officer (CEO)	Board member

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.

Turku, April 30, 2020

PricewaterhouseCoopers Oy

Authorized Public Accountant Firm

Kalle Laaksonen

KHT

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 consolidated 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.

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements

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 2020. The financial statements comprise:

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

- the parent company's balance sheet, income statement and notes

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.

Our Audit Approach

Overview

	Materiality • Overall materiality: 328 thousand euros, which represents 0.5% of group total assets.
	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	328 thousand euros
How we determined it	0.5% of group total assets.
Rationale for the materiality benchmark applied	We chose group total assets as the benchmark because in our view, it is the benchmark against which the assets of the company is most commonly measured by users and is a generally accepted benchmark. We chose 0.5% 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 agreements.
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.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

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 5 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 30.4.2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Kalle Laaksonen
Authorised Public Accountant (KHT)

SUNBORN INTERNATIONAL (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

COMPANY NUMBER 03843168

Contents Of The Financial Statements

SUNBORN INTERNATIONAL (UK) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2020

Directors:	Pekka Niemi Hans Niemi Karen Thomson
Secretary:	Goodwille Limited
Registered office:	24 Old Queen Street London United Kingdom SW1H 9HP
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 2020

The directors present their annual report on the affairs of Sunborn International (UK) Limited, together with the financial statements and auditor's report for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

The principal activity of the company is that of leasing a yacht, the Sunborn London, 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
Karen Thomson (appointed 26 february 2021)

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020 (2019: £nil).

GOING CONCERN

The directors have considered the impact of Covid-19 on the company's financial position, liquidity and future performance together with financial projections for the company over the foreseeable future and have also reviewed the ongoing committed financial support from the company's parent undertaking and are confident that this will be available for the foreseeable future. After making enquiries, the directors are satisfied that the company has sufficient resources to continue in operation for the foreseeable future, being at least 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

NON ADJUSTING EVENTS AFTER THE FINANCIAL PERIOD

The Operator ISS Facility Services Ltd announced a strategic decision to withdraw from UK hotel operations and in consequence reached a settlement exit agreement with the company to terminate the yacht lease agreement with the company with effect from 31 December 2020 with a transition period negotiated for the period from 1 January to 28 February 2021. Therefore company will take over operations on 1st March 2021 from ISS management. As a direct consequence of this termination, the Bareboat charter agreement between the company and Sunborn London Oyj was revised to account for the changes of the ISS Settlement Agreement.

There have been no other 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 other than the ongoing effects of the outbreak of the contagious disease COVID-19.

This remains an emerging global risk for all individuals and businesses. It is not clear for how long the current outbreak will last or how much more extensive it will become, or the further measures that will be taken by governments and others to seek to control the outbreak and its impact.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

FINANCIAL INSTRUMENTS

Details of financial instruments and their associated risks are given in note 16 to the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the current directors who held office at the date of approval of this directors' report confirms that:

- so far as the director is aware, there is no relevant audit information, information needed by the company's auditor in connection with preparing their report, of which the company's auditor is unaware; and

- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information (as defined by section 418 of the Companies Act 2006) and to establish that the company's auditor is aware of that information.

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 continues in force under the Companies Act 2006.

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 29th April 2021 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 FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of Sunborn International UK Limited (the 'company') for the year ended 31 December 2020 which comprise: the statement of comprehensive income, statement of financial position, statement of changes in equity, statements of cash flows, and the notes to the financial statements, including 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 2020, and of its profit 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.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUNBORN INTERNATIONAL (UK) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUNBORN INTERNATIONAL (UK) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our cumulative audit and commercial knowledge and experience of the company and the hospitality sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:
- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement to disclosures underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, analysing legal costs to ascertain if there have been instances of non-compliance with laws and regulations

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SUNBORN INTERNATIONAL (UK) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2020

A further description of our responsibilities is available on the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the company's member, 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 member 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 member 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

29th April 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020	2019
Continuing operations		£	£
Revenue	3	6,916,902	1,276,336
Cost of sales		(4,745,360)	-
Gross profit		2,171,542	1,276,336
Administrative expenses		(327,206)	(293,905)
Finance cost	4	(1,072,778)	(1,165,148)
Profit/(Loss) before tax	5	771,558	(182,717)
Income tax credit	7	79,294	8,796
Profit /(Loss) for the year attributable to the shareholder		850,852	(173,921)
Total comprehensive profit/ (loss) for the year attributable to the shareholder		850,852	(173,921)

Profit / (Loss) per share

		2020	2019
		£	£
Basic and diluted profit/ (loss) per share	8	5.67	(1.16)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Property, plant and equipment	9	525,555	656,958
Right-of-use asset	14	365,568	463,052
Total non-current assets		891,123	1,120,010
Current assets			
Trade and other receivables	10	1,744,318	1,160,098
Lease receivables	14	-	18,921,388
Cash and cash equivalents	11	2,786,831	7,816
Total current assets		4,531,149	20,089,302
Total assets		5,422,272	21,209,312
Equity attributable to the shareholder			
Share capital	12	150,000	150,000
Retained earnings		(71,361)	(922,213)
Total equity		78,639	(772,213)
Liabilities			
Non-current liabilities			
Lease liabilities	14	290,986	17,345,300
Deferred tax liabilities	15	-	79,294
Total non-current liabilities		290,986	17,424,594
Current liabilities			
Trade and other payables	13	4,957,634	2,935,123
Lease liabilities	14	95,013	1,621,808
Total current liabilities		5,053,647	4,556,931
Total liabilities		5,343,633	21,981,525
Total equity and liabilities		5,422,272	21,209,312

ON BEHALF OF THE BOARD:

The financial statements of Sunborn International (UK) Limited were approved and authorised for issue by the board of directors on 29 April 2021 and signed on its behalf by

H Niemi
Director

SUNBORN INTERNATIONAL (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £	Retained Earnings £	Total £
Balance at 1 January 2019		150,000	(1,123,829)	(973,829)
Comprehensive income			375,537	375,537
Loss for the year		150,000	(748,292)	(598,292)
Total comprehensive income for the year				
		-	(173,921)	(173,921)
Balance at 31 December 2019		150,000	(922,213)	(772,213)
Balance at 1 January 2020		150,000	(922,213)	(772,213)
IFRS 16 transition adjustment	*14*	-	-	-
Restated balance at 1 January 2020				
Comprehensive income				
Profit for the year		-	850,852	850,852
Total comprehensive income for the year		150,000	(71,361)	78,639
Balance at 31 December 2020		150,000	(71,361)	78,639

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit /(Loss) before tax	771,558	(182,717)
Finance cost	1,072,778	1,165,147
Depreciation	228,887	228,875
Non cash item - other income	(114,586)	(114,586)
Non cash item – lease termination losses	394,402	-
Increase in receivables	(584,220)	(389)
Increase in payables	2,022,511	4,297
Interest paid in cash	(1,047,944)	(1,165,147)
Net cash generated from/(utilised in) operating activities	2,743,386	(64,520)
Cash flows from financing activities		
Lease receivables	1,567,685	1,478,250
Repayment of lease liabilities	(1,532,056)	(1,414,853)
Net cash generated from financing activities	35,629	63,397
Net increase/(decrease) in cash and cash equivalents	2,779,015	(1,123)
Cash and cash equivalents at beginning of the year	7,816	8,939
Cash and cash equivalents at end of the year	2,786,831	7,816

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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.

The directors have considered the impact of Covid-19 on the company's financial position, liquidity and future performance together with financial projections for the company over the foreseeable future and have also reviewed the ongoing committed financial support from the company's parent undertaking and are confident that this will be available for the foreseeable future. After making enquiries, the directors are satisfied that the company has sufficient resources to continue in operation for the foreseeable future, being at least 12 months from the date of signing the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 the 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 further sublet the right of use asset to a hotel operator until 31 December 2020. The sublease was classified as finance lease, as it substantially transferred the risks and rewards incidental to the right of use asset. The right of use asset related to the leased Yacht hotel was derecognised, and a net investment in the lease was recognised as a receivable from the hotel operator based on discounted future lease receivables until 31 December 2020. The lease contract between the company and the hotel operator was terminated by mutual agreement on 31 December 2020. 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 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 and lease termination charges 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 will be operating the hotel by itself with effect from January 2021.

The company leased out the hotel yacht "Sunborn London" to ISS Facility Services Ltd until 31 December 2020 when the lease was terminated by mutual consent. The company was entitled to certain fees, partially fixed and partially variable (contingent) until 31 December 2020.

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.

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

	2020	**2019**
	£	**£**
Lease termination revenue	5,730,000	-
Interest income on lease receivables	1,072,315	1,161,750
Other revenue	114,587	114,586
	6,916,902	1,276,336

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

4. Finance Cost

	2020	2019
	£	£
Interest cost on lease liabilities	1,072,778	1,165,148
	1,072,778	1,165,148

5. Profit/ (Loss) for the year

The profit/(loss) for the year is stated after charging:	2020	2019
	£	£
Depreciation of owned assets	131,403	131,391
Depreciation of right to use assets	97,484	97,484
Auditor's remuneration:		
Audit of these financial statements	8,500	7,900

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:

	2020	2019
Directors	2	2

No remuneration was paid to the directors during the year (2019 - £nil). They are remunerated by other group undertakings.

7. Income tax expense

Recognised in the income statement

	2020	2019
	£	£
Current tax expense		
UK Corporation tax	-	-
Deferred taxation		
Arising from reversal of timing differences	(79,294)	(8,796)
All tax recognised in the period	(79,294)	(8,796)

Reconciliation of effective tax rate	2020	2019
	£	£
Profit / (Loss) before tax	771,558	(182,717)
Income tax using the UK corporation tax rate of 19% (2019: 19%)	146,596	(34,045)
Depreciation in excess of capital allowances	15,846	13,842
Tax losses (utilised)/carried forward	(162,442)	20,874
Income tax charge	-	-

The company has unrelieved tax losses of £706,327 (2019 - £1,696,519) carried forward at 31 December 2020. 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 in respect of these losses.

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2020 was based on the profit attributable to ordinary shareholders of £850,852 (2019: of £173,921) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2020 of £150,000 (2019: £150,000) calculated as follows:

Profit (Loss) attributable to ordinary shareholders

	2020	2019
	£	£
Profit / (Loss) for the period	850,852	(173,921)
Loss attributable to ordinary shareholders	850,852	(173,921)

Weighted average number of ordinary shares

	2020 Number	2019 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

8. Earnings per share - continued

	2020	2019
	£	£
Earnings per share	5.67	(1.16)

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 2019	1,313,913
Balance at 31 December 2019	1,313,913
Balance at 1 January 2020	1,313,913
Balance at 31 December 2020	1,313,913
Depreciation	
Balance at 1 January 2019	525,564
Depreciation charge for the period	131,391
Balance at 31 December 2019	656,955
Balance at 1 January 2020	656,955
Depreciation charge for the period	131,403
Balance at 31 December 2020	788,358
Net book value	
At 31 December 2019	656,958
At 31 December 2020	525,555

10. Trade and other receivables

	2020	2019
	£	£
Amounts due from group undertakings	1,126,374	1,127,154
Other receivables	617,944	32,944
	1,744,318	1,160,098

11. Cash and cash equivalents

	2020	2019
	£	£
Bank balances	2,786,831	7,816
	2,786,831	7,816

12. Capital and reserves

Share capital

	2020		2019	
	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:

	2020	2019
	£	£
Cash and cash equivalents	2,786,831	7,816
Net debt	2,786,831	7,816
Equity	78,639	(772,213)
Total capital	2,865,470	(764,397)

13. Trade and other payables

	2020	2019
	£	£
Current Liabilities		
Trade payables	1,966	2,525
Amounts owed to group undertakings	2,903,628	2,797,502
Other payables	2,047,090	130,146
Accruals	4,950	4,950
	4,957,634	2,935123

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 had bareboat charter agreement of Yacht hotel from related party of the group, Sunborn London until 31 December 2020 and a 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 had further sublet the 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 were recognised in statement of comprehensive income until 31 December 2020.

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 2020 the company recognised a gain on sublease of £375,537 in equity. Further details in relation to sub-lease are disclosed in the “company as the lessor” paragraph.

14. Leases - continued

Right- of – use assets

	Mooring rights
	£
Cost	
Balance at 1 January 2019	-
Additions	560,536
Balance at 31 December 2019	560,536
Balance at 1 January 2020	560,536
Additions	-
Balance at 31 December 2020	560,536
Depreciation	
Balance at 1 January 2019	-
Depreciation charge for the period	97,484
Balance at 31 December 2019	97,484
Balance at 1 January 2020	97,484
Depreciation charge for the period	97,484
Balance at 31 December 2020	194,968
Net book value	
At 31 December 2019	463,052
At 31 December 2020	365,568

Lease liabilities

At 31 December 2020 the company is committed to £385,998 (2019: £24,624,293) 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

	2020	2019
	£	£
Not later than one year	114,586	2,694,588
Later than one year and not later than five years	315,112	10,749,705
Over five years	-	11,180,000
	429,698	24,624,293
Less: unearned interest cost	(43,699)	(5,657,185)
Lease liabilities	385,999	18,967,108

14. Leases - continued

The future lease payments analysed as:

	2020	2019
	£	£
Non-current	290,986	17,345,300
Current	95,013	1,621,808
	385,999	18,967,108

Amounts recognised in statement of comprehensive income:

	2020	2019
	£	£
Depreciation of right-of-use assets	97,484	97,484
Interest expense on lease liabilities	1,072,778	1,165,147
	1,170,262	1,262,631

Cash Flows

The total cash outflows for leases amounted to £2,580,000 (2019: £2,580,000), split as follows:

- cash payments of £1,532,056 (2019: £1,414,853) for the principal portion of the lease liabilities within financing activities; and
- cash payments of £1,047,944 (2019: 1,165,147) for the interest portion of the lease liabilities within operating activities.

Company as the lessor

The company had leased the yacht hotel from a related party, Sunborn London Oyj, and had further sublet the right of use asset to the hotel operator until 31 December 2020. The sublease was classified as finance lease, as it substantially transferred the risks and rewards incidental to the right of use asset. The right of use asset relating to the leased Yacht hotel was derecognised, and a net investment in the lease was recognised as a receivable from the hotel operator based on discounted future lease receivables until 31 December 2020 when it was derecognised following the termination of both leases. The lease contract with Sunborn London Oyj has now been renegotiated to a short term lease.

Lease receivables

The company generated interest revenue from the lease contract with the hotel operator ISS Facility Services Ltd until 31 December 2020. The lease agreement was terminated with effect from 31 December 2020 and the company is expected to run the hotel going forwards. Before adoption of IFRS 16, the company's revenue consisted of rental income. The company was entitled to certain fees, partially fixed and partially variable (contingent) under the agreement with the operator. The company was also entitled to a termination fee under the lease term.

A reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable as at 31 December 2020 is outlined below:

	2020	2019
	£	£
Not later than one year	-	2,640,000
Later than one year and not later than five years	-	10,560,000
Over five years	-	11,440,000
	-	24,640,000
Less: unearned interest income	-	(5,718,612)
Lease receivable	-	18,921,388

14. Leases -continued

Amounts recognised in statement of comprehensive income:

	2020	2019
	£	£
Interest income on lease receivables	1,072,315	1,161,750
Lease termination fees receivable	5,730,000	-
	6,802,315	1,161,750

Cash Flows

The total cash inflows for lease amounted to £2,640,000 (2019: £2,640,000)

- cash receipts of £1,567,685 (2019: £1,478,250) for the principal portion of the lease receivables within financing activities; and
- cash receipts of £1,072,315 (2019: £1,161,750) for the interest portion of the lease receivables within operating activities

15. Deferred Tax

	Deferred Tax
	£
At 1 January 2019 and at 31 December 2019	79,294
At 1 January 2020	79,294
Reversal of timing differences	(79,294)
At 31 December 2020	-

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 2020:

	2020	2019
	£	£
Financial assets		
Loans and receivables:		
Amounts owed by group undertakings	1,126,374	1,127,154
Other receivables	617,944	32,944
Cash at bank	2,786,831	7,816
Total financial assets	4,531,149	1,167,914

Liabilities at amortised cost or equivalent:	**2020**	**2019**
	£	£
Trade payables	(1,966)	(2,525)
Amount owed to group undertakings	(2,903,628)	(2,797,502)
Other payables	(2,047,090)	(130,146)
Accruals and deferred income	(4,950)	(4,950)
Total financial liabilities	(4,957,634)	(2,935,123)

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.

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 2020 amounted to £2,580,000 (2019: £2,580,000).

At the year end the company was owed by Sunborn International OY £1,126,374 (2019: £1,126,374) and owed to Sunborn London Oy £2,786,831 (2019: £2,797,502) and Sunborn International Holding Oy £34,628 (2019: Nil). 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

The Operator ISS Facility Services Ltd announced a strategic decision to withdraw from UK hotel operations and in consequence reached a settlement exit agreement with the company to terminate the yacht lease agreement with the company with effect from 31 December 2020 with a transition period negotiated for the period from 1 January to 28 February 2021. Therefore company will take over operations on 1st March 2021 from ISS management. As a direct consequence of this termination, the Bareboat charter agreement between the company and Sunborn London Oyj was revised to account for the changes of the ISS Settlement Agreement.

There have been no other 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 other than the ongoing effects of the outbreak of the contagious disease COVID-19.

This remains an emerging global risk for all individuals and businesses. It is not clear for how long the current outbreak will last or how much more extensive it will become, or the further measures that will be taken by governments and others to seek to control the outbreak and its impact.

21. Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended Standards and Interpretations applied
The following new and amended Standards and Interpretations have been issued and are effective for the current financial period.

In the current year, the company has applied a number of amendments to Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. These have not had any material impact on the amounts reported for the current and prior years.

Standard or Interpretation	Effective for annual periods commencing on or after
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Amendments to IAS 1 and IAS 8 – definition of material	1 January 2020
Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

New and revised Standards and Interpretations in issue but not yet effective
At the date of authorisation of these financial statements, the company has not early adopted the following amendments to Standards and Interpretations that have been issued but are not yet effective:

Standard or Interpretation	Effective for annual periods commencing on or after
Narrow scope amendments to IFRS 3, IAS 16 and IAS 37	1 January 2022
Annual improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1: Classification of Liabilities as	1 January 2022

As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed. The directors do not expect any material impact as a result of adopting the standards and amendments listed above in the financial year they become effective.

From 1 January 2021 the company will apply UK-adopted IAS. At the date of application, both UK-adopted IAS and EU-adopted IFRS will be the same.