

SUNBORN LONDON



HALF YEAR FINANCIAL REPORT
1 January – 30 June 2020
28/8/2020

sunborn

HALF YEAR REPORT 1 January - 30 June 2020**Key Figures**

EUR thousand	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Rental income	1 467	1 473	2 945
Operating profit	638	687	1 336
Investment property (Yacht hotel)	37 155	38 660	37 907
Total Equity	29 274	30 636	29 128
Borrowings	29 911	30 390	29 814

CEO Hans Niemi

“The circumstances of the London hotel operations in H1 2020 were unexpected and unprecedented due to Covid 19 pandemic. In Q2 the UK hospitality industry encountered the onset of pandemic related government closure of hotels, restrictions on free movement of people and travel. An agreement with NHS Nightingale hospital in April 2020 allowed the Sunborn yacht hotel to continue operations during the lockdown although at significantly reduced levels. Despite the difficult circumstances, the rental income received from operator ISS Facility Services Ltd continued throughout H1 2020 and we are happy to report financial performance of the issuer was not diminished as a consequence. Management expects the difficult trading conditions to continue and the operator ISS will continue operating the hotel under extraordinary circumstances. As a consequence, Sunborn and ISS have agreed to apply a permitted lease discount of the lease fee for an initial period of 12 months starting 1st July 2020 to alleviate the continuing financial impact on the operation.”

Financial summary 1 January - 30 June 2020

Sunborn London Oyj (“The Company”) continued to be a SPV with no other purpose than owning the Sunborn London yacht hotel. The yacht hotel is leased out to ISS Facility Services Ltd (“ISS”), a fully owned subsidiary of ISS A/S listed in Denmark, through an internal bareboat agreement between the Company and Sunborn international (UK) Ltd, a sister company to the Company.

Sunborn International (UK) Ltd has a long term triple net management service contract for operations of the yacht hotel with ISS expiring 2029 with a fixed sum of GBP 220,000 per month in lease.

Rental Income for the reporting period was 1.47 MEUR (1.47 MEUR). Rental income in EUR was slightly affected by FX fluctuations.

Fair value of the yacht hotel as at 30 June 2019 approximates the book value of the yacht hotel. The management has considered the impact of Covid-19 in the fair value and continues to carefully monitor any further impact of the Covid-19.

Notable events during and after the end of the reporting period***New Corporate structure***

In preparation for future refinancing of the company, Sunborn London Oyj informed the Bond Trustee of its intention to complete a corporate reorganisation so that the new parent shall be a newly formed private limited

company, Sunborn International Holding Oy, which will take on the same responsibilities and duties as the previous parent, Sunborn Oy, originally had under the bond terms and accede to the bond terms pursuant to the terms of this Amendment Agreement. In 30 April 2020 Sunborn Oy transferred as a contribution in kind its shareholding in subsidiaries and all business operations relating to the yacht hotel business to Sunborn International Holding Limited.

Extraordinary operational lease adjustment

In light of the pandemic caused extraordinary operational circumstance and the resulting loss of hotel revenues, ISS and Sunborn International (UK) Ltd have agreed on a temporary 15% discount of the lease fee starting 1 July 2020 for an initial period of 12 months onwards. Corresponding discount for the corresponding period will be applied to the intra-group contract between Sunborn London Oyj and Sunborn International (UK) Ltd, decreasing thus the company's lease income for the next 12 months after the reporting period by 15 %.

Estimated future development

The management estimates that despite the Covid-19 pandemic and the lease discount of 15%, the Company's financial performance and debt service capacity is expected to remain stable.

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

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

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

Brexit

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

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 a further declining pound versus euros.

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 property 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 impact on the operator. The impact of the unprecedented crisis is difficult to predict, and it is unknown when the recovery of the affected businesses will take place. Prolonged crisis could also in the long term impact the fair value of the yacht hotel.

The ability of the operator to operate the business and pay rents normally during the closure and the subsequent recovery period has been negatively affected and as a result, Sunborn London Plc and ISS agreed to apply Clause 20.1 of the ISS contract allowing for an extraordinary circumstance temporary 15% discount of the lease fee starting 1st July 2020 for an initial period of 12 months onwards.

CONTENTS

HALF YEAR REPORT 1 January - 30 June 2020	2
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)	6
CONSOLIDATED BALANCE SHEET (IFRS)	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)	8
CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)	9
NOTES TO THE FINANCIAL STATEMENTS	10
1. General information	10
2. Summary of significant accounting policies	10
3. Rental income from related parties and other income	10
4. Investment property	11
5. Equity	12
6. Borrowings	12
7. Related parties	13
8. Events after the reporting date	14
Appendix 1 Sunborn International (UK) Ltd	15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Rental income from group companies	3, 7	1 467	1 473	2 945
Other operating income		64	64	128
Depreciation	4	-752	-752	-1 505
Other operating expenses		-141	-98	-232
Operating profit		638	687	1 336
Finance income	7	779	779	1 662
Finance costs		-1 235	-989	-1 905
Finance income and costs, net		-456	-210	-243
Profit before taxes		182	477	1 093
Income tax expense		-103	-161	-
Change in deferred tax		66	65	-219
Profit for the period		145	382	874
Total comprehensive income for the period		145	382	874

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
Assets				
Non-current assets				
Investment property	4	37 155	37 907	38 660
Receivables from group companies	7	25 071	24 162	25 711
Cash collateral	6	880	880	880
Total non-current assets		63 106	62 949	65 251
Current assets				
Trade receivables from group companies	7	3 201	3 288	3 596
Trade and other receivables		16	10	15
Cash and cash equivalents		486	348	233
Total current assets		3 703	3 646	3 844
Total assets		66 809	66 595	69 095
Equity and liabilities				
Share capital	5	80	80	80
Reserve for invested unrestricted equity		600	600	600
Retained earnings		28 594	28 448	29 956
Total equity		29 274	29 128	30 636
Liabilities				
Non-current liabilities				
Borrowings	6	29 207	29 110	29 718
Deferred income		385	385	514
Deferred income tax liabilities		7 024	7 090	7 306
Total non-current liabilities		36 616	36 585	37 537
Current liabilities				
Trade and other payables		8	2	0
Payables to group companies	7	22	24	5
Borrowings	6	704	704	672
Deferred income		64	128	64
Accrued expenses		121	23	180
Total current liabilities		919	881	922
Total liabilities		37 535	37 466	38 459
Total equity and liabilities		66 809	66 595	69 095

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			382	382
Total comprehensive income	0	0	382	382
Equity at 30.6.2019	80	600	29 956	30 636
Equity at 1.7.2019	80	600	29 956	30 636
Profit for the period			492	492
Total comprehensive income	0	0	492	492
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			145	145
Total comprehensive income	0	0	145	145
Equity at 30.6.2020	80	600	28 594	29 274

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 - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Cash flows from operating activities				
Profit before tax		182	477	1 093
Adjustments for				
Amortisation of deferred income	4	-64	-64	-128
Depreciation	4	752	752	1 505
Finance income and costs, net		456	210	243
Change of working capital				
Change in trade and other receivables		81	-474	-161
Change in trade and other payables		4	0	20
Net cash flows from operating activities		1 412	902	2 571
Cash used in investing activities				
Loans given to related party	7	-	-187	-
Net cash flows used in investing activities		-	-187	-
Cash flows from financing activities				
Repayment of borrowings		-	-	-672
Contribution from/to Sunborn group companies	7	-130	-	-357
Transaction / loan agent costs		-2	-3	-6
Interest and finance costs paid		-852	-857	-1 710
Net cash flows from financing activities		-985	-860	-2 746
Cash and cash equivalents at the beginning of period		348	419	419
Effects of exchange rate changes on cash and cash equivalents		-288	-41	103
Change in cash and cash equivalents		138	-186	-71
Cash and cash equivalents at the end of period		486	233	348

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Sunborn London Oyj is a public limited liability company (“the Company”) incorporated in Finland. The registered address of Sunborn London Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn London Oyj was established on April 30, 2016 through a demerger of Sunborn International Oy. Sunborn London Oyj owns a luxury yacht hotel “Sunborn London” docked at Royal Victoria Dock in London, the UK (“Yacht hotel”), which it has leased to its sister company Sunborn International (UK) Limited (“Sunborn UK”). The hotel operations of the Yacht hotel Sunborn London are run by management company ISS Facility Services Ltd (“ISS”) in accordance with a lease contract between ISS and Sunborn UK. The Yacht hotel is equipped with 138 cabins, including four suites or high class cabins, with a total hotel capacity of 524 persons. There are also conference facilities for up to 200 delegates, restaurant, bar and lounges inside the Yacht hotel. The Group had no employees in 2020 and 2019. Sunborn London Oyj’s parent company Sunborn Oy provides management and administrative services to the Group. Sunborn UK’s sole operations consist of acting as the lessee and lessor of the Yacht hotel.

During the period, 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 International UK. Sunborn International Holding Oy. Sunborn UK’s sole operations consist of acting as the lessee and lessor of the Yacht hotel. 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.

2. Summary of significant accounting policies

Basis of preparation

This half year financial report for six months ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS), *IAS 34 interim Financial Reporting*, as adopted by the European Union. The half year financial report is based on the same accounting policies and calculation methods as used in the financial statements for the year 2019, as well as on the new and updated IFRS standards described in the financial statements for the year 2019. However, the half year financial report does not include all the information and notes that are presented in the annual financial statements. As such the half year financial report should be read in conjunction with the financial statements for the year ended 31 December 2019.

The preparation of the half year financial report in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The actual outcomes may differ from these estimates and judgments. The most significant estimates made by the management relating to the accounting policies and uncertainties are the same as applied in the financial statements for the year 2019.

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.

The half year financial report is unaudited.

3. Rental income from related parties and other income

The Group’s rental income consist of rental income from Sunborn UK.

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

EUR thousand	30 Jun 2020	31 Dec 2019	30 Jun 2019
Within 1 year	2 828	3 032	2 878
Between 1 and 2 years	2 828	3 032	2 878
Between 2 and 3 years	2 828	3 032	2 878
Between 3 and 4 years	2 828	3 032	2 878
Between 4 and 5 years	2 828	3 032	2 878
Later than 5 years	10 839	13 141	13 909
Total	24 977	28 303	28 297

After the end of the reporting period, Sunborn London has agreed on a temporary, initially 12 month lasting 15 % discount on lease payments with Sunborn UK, which is not reflected in the table above. 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.

4. 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. The Group has used the fair value of the Yacht hotel as deemed cost for the investment property as at 1 January 2015. Subsequently the investment property is carried at cost less any accumulated depreciation and any accumulated losses. Fair value of the yacht hotel as at 30 June 2020 has been estimated to be EUR 40 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 mainly due to fluctuation of the GBP/EUR exchange rate. Fair value of the yacht hotel as at 30, June 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-crises.

The Yacht hotel is registered in Finland but located in London, United Kingdom, where it is leased under a lease agreement to Sunborn UK. Sunborn UK has leased the Yacht hotel to ISS, which runs the hotel operations of the Yacht hotel. ISS is responsible for the maintenance, the mooring fee, certain insurances, marketing of the vessel and any other such operational costs for operating the Yacht hotel. The Group has thus no risk on operating the Yacht hotel, being only responsible for certain insurances and maintaining the hull. The highest and best use of the investment property does not differ from its current use.

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.

Investment property

EUR thousand	Yacht hotel
Cost at January 1, 2019	45 432
Cost at June 30, 2019	45 432
Accumulated depreciation at January 1, 2019	6 019
Depreciation	752
Accumulated depreciation and impairment at June 30, 2019	6 772

Net book value at January 1, 2019	39 412
Net book value at June 30, 2019	38 660

EUR thousand	Yacht hotel
Cost at July 1, 2019	45 432
Cost at December 31, 2019	45 432

Accumulated depreciation at July 1, 2019	6 772
Depreciation	752
Accumulated depreciation and impairment at December 31, 2019	7 525

Net book value at July 1, 2019	38 660
Net book value at December 31, 2019	37 907

EUR thousand	Yacht hotel
Cost at January 1, 2020	45 432
Cost at June 30, 2020	45 432

Accumulated depreciation at January 1, 2020	7 525
Depreciation	752
Accumulated depreciation and impairment at June 30, 2020	8 277

Net book value at January 1, 2020	37 907
Net book value at June 30, 2020	37 155

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

EUR thousand	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
Rental income	1 467	1 473	2 945
Direct operating expenses from property that generated rental income	64	53	103

5. Equity

Number of the shares has been 200 shares since the establishment of the parent Company. Shares have no nominal value.

6. Borrowings

EUR thousand	30 Jun 2020	31 Dec 2019	30 Jun 2019
Non-current:			
Senior secured bond	29 207	29 110	29 718
Current:			
Senior secured bond	704	704	672
Total	29 911	29 814	30 390

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 0.88 million equivalent of 6 months interest was deposited in a reserve account in the bank (cash collateral). The remaining proceeds were used for general corporate purposes.

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

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 issuer 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 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. Sunborn UK's sole operations consist of acting as the lessor and lessee of the Yacht hotel. Its revenue consists of rental income. Also Sunborn UK's cash flows and receivables from ISS, as well as their bank accounts have been pledged as security of the bonds.

Moreover, Sunborn International Holding Oy has pledged its shares in the Company and Sunborn UK to secure the repayment of the bonds.

7. 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:

EUR thousand	1 Jan - 30 Jun 2020			1 Jan - 30 Jun 2019		
	Rental income from the operating lease	Management fee	Interest income	Rental income from the operating lease	Management fee	Interest income
Ultimate parent - Sunborn Oy	-	-25	518	-	-25	779
Parent - Sunborn International Holding Oy	-	-	261	-	-	-
Sunborn International Oy	-	-12	-	-	-	-
Sunborn UK	1 467	-	-	1 473	-	-
Total	1 467	-37	779	1 473	-25	779

1 Jan - 31 Dec 2019

EUR thousand	Rental income from the operating lease	Management fee	Interest income
Parent - Sunborn Oy	-	-48	1 559
Sunborn International Oy	-	-24	-
Sunborn UK	2 945	-	-
Total	2 945	-72	1 559

EUR thousand	30 Jun 2020		31 Dec 2019		30 Jun 2019	
	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities
Ultimate parent - Sunborn Oy	-	756	24 162	-	25 344	5
Parent - Sunborn International Holding Oy	25 817	-	-	-	-	-
Sunborn International Oy	-	12	-	24	286	-
Sunborn Saga Oy	-	-	-	-	80	-
Sunborn UK	3 201	-	3 288	-	3 596	-
Total	29 018	769	27 450	24	29 306	5

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

The Group has paid management fee to Sunborn Oy and Sunborn International Oy, and received interest income from Sunborn 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, matures in September 2021. The loan receivable accumulates interest income at 6.1 % p.a. and is recognised as receivable from the parent company. Fair value of the loan receivable approximates its carrying amount, as 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 30.6.2020 (EUR 3.6 million on 30.6.2019).

Sunborn UK has guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is described in note 6 Borrowings.

8. Events after the reporting date

In light of the pandemic caused extraordinary operational circumstance and the resulting loss of hotel revenues, ISS and Sunborn International (UK) Ltd have agreed on a temporary 15% discount of the lease fee starting 1 July 2020 for an initial period of 12 months onwards. Corresponding discount for the corresponding period will be applied to the intra-group contract between Sunborn London Oyj and Sunborn International (UK) Ltd, decreasing thus the company’s lease income for the next 12 months after the reporting period by 15 %.

Appendix 1 Sunborn International (UK) Ltd

**Sunborn International (UK) Ltd
HALF-YEAR UNAUDITED REPORT 1 January - 30 June 2020**

CONTENTS

CONTENTS.....	16
STATEMENT OF COMPREHENSIVE INCOME	17
BALANCE SHEET.....	18
STATEMENT OF CHANGES IN EQUITY	19
STATEMENT OF CASH FLOW	20
NOTES TO THE FINANCIAL STATEMENTS	21
1. General information	21
2. Summary of significant accounting policies.....	21
3. Revenue	21
4. Cost of sales	22
5. Property, plant and equipment	22
6. Lease liabilities.....	23
7. Transactions with related parties.....	23

STATEMENT OF COMPREHENSIVE INCOME

GBP thousand	Note	1 Jan - 30 Jun 2020	1 Jan - 31 Dec 2019	1 Jan - 30 Jun 2019
Revenue	3	-	-	3
Interest Revenue		548	1,162	592
Other Income		57	114	57
Cost of sales	4	-	-	-
Depreciation	5	(115)	(229)	(115)
Administrative expenses		(23)	(65)	(7)
Operating profit/(loss)		467	982	530
Finance costs		(548)	(1,165)	(594)
Profit before taxes		(81)	(183)	(64)
Income tax expense		-	-	-
Change in deferred tax		4	9	5
Profit for the period		(77)	(174)	(59)
Total comprehensive income for the period		(77)	(174)	(59)

BALANCE SHEET

GBP thousand	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
Assets				
Non-current assets				
Property, plant and equipment	5	591	657	1,235
Right-of-use assets	5	414	463	-
Lease Receivable	3	16,315	17,345	18,149
Total non-current assets		17,320	18,474	19,384
Current assets				
Amounts due from group companies	7	1,126	1,127	1,128
Trade and other receivables		35	33	37
Lease Receivable	3	1,834	1,568	1,522
Cash and cash equivalents		136	8	462
Total current assets		3,131	2,736	3,149
Total assets		20,451	21,209	22,533
Equity and liabilities				
Share capital		150	150	150
Retained earnings		(999)	(922)	(807)
Total equity		(849)	(772)	(657)
Non-current liabilities				
Lease liability to group companies	6,7	16,159	16,959	17,737
Lease liability	6	339	386	431
Total non-current liabilities		16,498	17,345	18,168
Current liabilities				
Trade and other payables		209	212	222
Payables to group companies	7	2,921	2,798	3,223
Lease liability to group companies	6,7	1,578	1,532	1,488
Lease liability	6	92	90	87
Accrued expenses		2	5	2
Total current liabilities		4,802	4,637	5,022
Total liabilities		21,300	21,982	23,190
Total equity and liabilities		20,451	21,209	22,533

STATEMENT OF CHANGES IN EQUITY

GBP thousand	Share Capital	Retained Earnings	Total
Equity at 1.1.2019	150	(1,124)	(974)
IFRS 16 transition adjustment	-	376	376
Equity at 1.1.2019 (restated)	-	(748)	(598)
Loss of the period	-	(59)	(59)
Total comprehensive income	-	(59)	(59)
Equity at 30.06.2019	150	(807)	(657)
Equity at 1.1.2019	150	(1,124)	(974)
IFRS 16 transition adjustment	-	376	376
Restated balance at 1 January 2019	150	(748)	(598)
Loss for the year	-	(174)	(174)
Total comprehensive income	-	(174)	(174)
Equity at 31.12.2019	150	(922)	(772)
Equity at 1.1.2020	150	(922)	(772)
Loss for the year	-	(77)	(77)
Total comprehensive income	-	(77)	(77)
Equity at 30.06.2020	150	(999)	(849)

STATEMENT OF CASH FLOW

	30 Jun 2020	31 Dec 2019	30 Jun 2019
Cash flows from operating activities			
Operating (loss)/profit	(81)	(183)	530
Finance cost	548	1,165	
Depreciation	115	229	115
Non-cash item – other income	(57)	(115)	-
(Increase)/decrease in receivables	-	-	(62)
(Decrease)/increase in payables	121	4	1,160
Interest paid in cash	(535)	(1,165)	-
Tax paid in cash	-	-	-
Net cash utilised in operating activities	111	(64)	1,743
Cash flows from financing activities			
Lease receivables	772	1,478	(1,290)
Repayment of lease liabilities	(755)	(1,415)	
Net cash utilised in financing activities	17	63	(1,290)
Net increase in cash and cash equivalents	128	(1)	453
Cash and cash equivalents at beginning of period	8	9	9
Cash and cash equivalents at end of period	136	8	462

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Sunborn International (UK) Limited ('the company') is a private company limited by share capital incorporated in England under the Companies Act. Its ultimate parent is Sunborn Oy, an undertaking incorporated in Finland. The registered address of Sunborn International (UK) Limited is St James House, 13 Kensington Square, London, W8 5HD.

Sunborn International (UK) Limited ("Sunborn UK") is acting as a lessee for a luxury yacht hotel "Sunborn London" docked at 'at Royal Victoria Dock in London, the UK ("Yacht hotel"), which it is own by its sister company Sunborn London Oyj. The hotel operations of the Yacht hotel Sunborn London are run by management company ISS Facility Services Ltd ("ISS") in accordance with a lease contract between ISS and Sunborn UK International. 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. Sunborn UK's sole operations consist of acting as the lessee and lessor of the Yacht hotel.

During the period, on 30th April, 2020 Sunborn Oy, the ultimate parent company of Sunborn UK and Sunborn London Oyj, transferred its ownerships in both companies to a newly established company Sunborn International Holding Oy, which thus became a new parent company of Sunborn UK owning 100 % of the shares of the Company, as well as Sunborn London Oyj. 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.

2. Summary of significant accounting policies

Basis of preparation

This half year financial report for six months ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 interim Financial Reporting, as adopted by the European Union. The half year financial report is based on the same accounting policies and calculation methods as used in the financial statements for the year 2020, except for as presented below. The half year financial report does not include all the information and notes that are presented in the annual financial statements. As such the half year financial report should be read in conjunction with the special purpose financial statements for the year ended 30 June 2020.

The preparation of the half year financial report in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The actual outcomes may differ from these estimates and judgments. The most significant estimates made by the management relating to the accounting policies and uncertainties are the same as applied in the financial statements for the year 2019.

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

The half year financial report is unaudited.

3. Revenue

The company generates interest revenue from the lease contract with the hotel operator ISS Facility Services Ltd. Before adoption of IFRS 16, the company's revenue consisted of rental income. The company is entitled to certain fees, partially fixed and partially variable (contingent). The initial agreement was signed between Sunborn

International Oy and ISS in 2014, however it was novated by an amendment in 2015 to the company. In 2016, the contract was amended to change the lease term from 10 to 15 years.

Future minimum lease payments from the lease contract are as follows:

GBP thousand	30 Jun 2020	31 Dec 2019
Within 1 years	2,640	2,640
Between 1 and 2 years	2,640	2,640
Between 2 and 3 years	2,640	2,640
Between 3 and 4 years	2,640	2,640
Between 4 and 5 years	2,640	2,640
Later than 5 years	10,120	11,440
	23,320	24,640
Less: unearned interest income	(5,171)	(5,719)
Lease receivable	18,149	18,922

4. Cost of sales

The cost of sales consists of operating lease payments related to the Yacht hotel and recognised in the comprehensive income statement are as follows:

GBP thousand	1 Jan - 30 Jun 2020	1 Jan - 31 Dec 2019	1 Jan - 30 Jun 2019
Operating lease payments	-	-	-
	0	0	0

The lease agreement with related party Sunborn London Oy can be terminated with 6 months' notice. The lease agreement for motoring has been signed for 5 years, with no renewal option. The lease agreement for docking is for 10 years and includes a renewal option for another 5 years.

5. 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, other than land and properties under construction over their estimated useful lives, as follows:

- Improvements to property 10 years straight line

GBP thousand	Improvements to property	Right to use asset	Total
Cost at January 1, 2019	1,314	-	1,314
Cost at June 30, 2019	1,314	561	1,314
Accumulated depreciation at January 1, 2019	525	-	525
Depreciation	66	49	115
Accumulated depreciation and impairment at Jun 30, 2019	591	49	640

Net book value at January 1, 2019	788	-	788
Net book value at June 30, 2019	723	512	1,235
Cost at January 1, 2019	1,314	-	1,314
Cost at December 31, 2019	1,314	561	1,875
Accumulated depreciation at January 1, 2019	525	-	525
Depreciation	131	98	229
Accumulated depreciation and impairment at Dec 31, 2019	656	98	754
Net book value at January 1, 2019	788	-	788
Net book value at December 31, 2019	658	463	1,121
Cost at January 1, 2020	1,314	561	1,875
Addition	-	-	-
Cost at June 30, 2020	1,314	561	1,875
Accumulated depreciation at January 1, 2020	656	98	754
Depreciation	66	49	115
Accumulated depreciation and impairment at Jun 30, 2020	722	147	869
Net book value at January 1, 2020	658	463	1,121
Net book value at June 30, 2020	592	414	1,005

6. Lease liabilities

GBP thousand	30 Jun 2020	31 Dec 2019
Within 1 year	2,695	2,695
Between 1 and 2 years	2,695	2,695
Between 2 and 3 years	2,695	2,695
Between 3 and 4 years	2,695	2,695
Between 4 and 5 years	2,609	2,666
Later than 5 years	9,890	11,180
Total	23,277	24,624
Less unearned interest cost	-5,109	-5,657
Lease liabilities	18,168	18,967

7. Transactions with related parties

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

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

GBP thousand	1 Jan - 30 Jun 2020 Interest cost related to lease liability	1 Jan -31 Dec 2019 Interest cost related to lease liability	1 Jan – 30 June 2019 Interest cost related to lease liability
Sunborn London Oyj	535	1,135	578
Total	535	1,135	578

EUR thousand	30 Jun 2020		31 Dec 2019		30 Jun 2019	
	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities
Sunborn London Oyj	-	20,658	-	21,289	-	22,447
Sunborn International Oy	1,126	-	1,127	-	1,128	-
Total	1,126	20,658	1,127	21,289	1,128	22,447

The lease expenses of the Company arise from a lease contract related to the Yacht hotel with its sister Company, Sunborn London Oyj. The Lease contract (“Bareboat agreement”) is in force until terminated by either party subject to six months' prior notice. Sunborn UK has leased the Yacht hotel to ISS under a long term non-cancellable lease contract with a maturity date on April 30, 2029. The lease term of the contract was extended from 10 to 15 years in September 2016.

The liabilities to Sunborn London are mainly the lease liabilities.