FINANCIAL STATEMENTS 2017
26/4/2018

sunborn

REPORT OF BOARD OF DIRECTORS 2017

Key Figures

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Rental income	2 941	3 132
Operating profit	1 253	1 499
Investment property (yacht hotel)	40 917	42 422
Total Equity	31 431	32 594
Borrowings	30 722	31 106

CEO Pekka Niemi

The performance of the Yacht hotel and the underlying lease income from the operating partner ISS is as per our expectation. The Sunborn London Yacht hotel continues to be well positioned in the market enjoying excellent ratings and top position among a competitive set of other selected London 4 star properties located in the E14 and E16 areas. The London hotel market is doing well and in our view the travel industry is continuing to benefit from a weaker GBP which is making travel to the United Kingdom more lucrative for both business and leisure clients from outside of UK and within UK. We expect the current favorable trading condition to exist for the foreseeable future.

Financial summary 1 Janury - 31 December 2017

Rental Income for the reporting period was 2,94 M€ (3,13 M€). Rental income in EUR was slightly affected by weakening of GBP versus EUR, which is in line with our expected FX fluctuations considering Brexit negotiations are taking place. With comparable exchange rates rental income remained the same.

Operating costs increased due to the one-time costs related to the listing.

Fair value of the yacht hotel as at 31 December 2017 approximates the book value of the yacht hotel. The volatility in the fair value is mainly due to fluctuation of the GBP/EUR exchange rate.

Notable Events during the reporting

Shareholder meeting held on 8 February, 2017 decided to change the legal form of the company from private limited company to public limited company and the business name was changed to Sunborn London Oyj and the parallel business name to Sunborn London Plc. It was resolved to increase the share capital of the company with 77.500 euros to 80.000 euros.

The company completed the listing of the Senior Secured Floating Rate Bond to Nasdaq Helsinki on 21 March, 2017.

Mooring license with Royal Docks Management Authority (RODMA) was renewed in September 2017 for a further five years. Sunborn seeks to renew the mooring license annually going forward as well, unless a longer contract term restriction is waived by Greater London Authority (GLA).

During the reporting period, exchange rates continued to be volatile. According to Sunborn’s financial strategy, the management of the company closely monitors the development of the GBP/EUR exchange rate and aims to protect the Company against unfavorable developments at the group level.

Business environment

No significant changes in business environment.

Issuer continued to be a SPV with no other purpose than owning the Sunborn London Yacht hotel. The vessel is leased out to ISS Facility Services Ltd through an internal bareboat agreement between the Issuer and Sunborn international (UK) Ltd.

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

Customer satisfaction continues to be excellent reflected in the current score of 8.7/10 on Booking.com, 4.4/5 on Hotels.com, 4.5/5 on Expedia and #173 out of 1,083 hotels in London on TripAdvisor.

Estimate future development

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

Notable events after the end of the reporting period

Nothing to report.

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 risk of depreciation of the GBP against EUR and its possible negative impact on the returns is currently hedged. Floating interest rate risk has not been hedged.

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

Corporate Governance

Sunborn London Oyj's ownership and corporate structure and 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 Companies Act and Suunborn London Oyj's articles of association. The company's shares are not listed for public trading. Sunbron London Oyj has issued a secured bond that is listed by NASDAQ OMX 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 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 4 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 2017 the Board had 5 meetings.

Members of the Board of Directors in 2017 were Ritva Niemi, Pekka Niemi, Hans Niemi ja Jari Niemi. There has not been any remuneration for the Board of Directors in 2017. Sunborn London Oyj has no committees.

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

The Annual General Meeting elects the authorised public accountants for one year at a time. Sunborn London Oyj auditors are PricewaterhouseCoopers Oy 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.

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STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Rental income from group companies	5	2 941	3 132
Other operating income	5	128	132
Depreciation	9	-1 505	-1 505
Other operating expenses	6	-312	-261
Operating profit		**1 253**	**1 499**
Finance income	7	1 559	414
Finance costs	7	-2 113	-944
Finance income and costs, net		-554	-530
Profit before taxes		**698**	**969**
Income tax expense	8	-450	-150
Change in deferred tax	8	310	-44
Profit for the period		**559**	**775**
Total comprehensive income for the period		**559**	**775**

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

Balance sheet

EUR thousand	Note	**31 Dec 2017**	**31 Dec 2016**
Assets			
Non-current assets			
Investment property	9	40 917	42 422
Receivables from group companies	10,15	25 418	26 014
Cash collateral	14	880	880
Total non-current assets		**67 215**	**69 316**
Current assets			
Trade receivables from group companies	10,15	3 428	3 551
Trade and other receivables	10	7	55
Cash and cash equivalents		229	45
Total current assets		**3 663**	**3 651**
Total assets		**70 878**	**72 967**

EUR thousand	Note	**31 Dec 2017**	**31 Dec 2016**
Equity and liabilities	12		
Invested equity		-	-
Share capital		80	3
Reserve for invested unrestricted equity		600	600
Retained earnings		30 751	31 992
Total equity		31 431	32 594
Liabilities			
Non-current liabilities			
Borrowings	14	30 114	30 546
Deferred income	11	770	899
Deferred income tax liabilities	11	7 752	8 063
Total non-current liabilities		**38 637**	**39 508**
Current liabilities			
Trade and other payables	13	0	117
Payables to group companies	13	149	161
Borrowings	14	608	560
Accrued expenses		53	27
Total current liabilities		**811**	**865**
Total liabilities		**39 448**	**40 373**
Total equity and liabilities		**70 878**	**72 967**

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

STATEMENT OF CHANGES IN EQUITY

EUR thousand	Invested equity	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1.1.2016	36 006	0	0	0	**36 006**
Profit for the period	468				468
Total comprehensive income	468	0	0	0	**468**
Transactions with owner:					
Equity transactions with Sunborn International Oy	229				229
Total contributions by and distributions to owners of the parent, recognized directly in equity	229	0	0	0	229
Demerger on April 30, 2016:					
Reclassification of invested equity to liability in accordance with demerger plan	-4 467				-4 467
Reclassification of invested equity to share capital and reserve for invested unrestricted equity	-32 236	0	600	31 636	0
Impact of demerger on April 30, 2016	-36 703	0	600	31 636	-4 467
Equity at 30.4.2016	0	0	600	31 636	32 236
Equity at 1.5.2016	0	0	600	31 636	32 236
Profit for the period				308	308
Total comprehensive income	0	0	0	308	**308**
					0
Transactions with owner:					0
Payment of the share capital		3			3
Group contribution		0		48	48
Total contributions by and distributions to owners of the parent, recognized directly in equity	0	3	0	48	51
Equity at 31.12.2016	0	3	600	31 992	**32 594**
Equity at 31.12.2016	0	3	600	31 992	32 594
Profit for the period				559	559
Total comprehensive income	0	0	0	559	**559**
					0
Transactions with owner:					0
Payment of the share capital		78			78
Group contribution		0		-1 800	-1 800
Total contributions by and distributions to owners of the parent, recognized directly in equity	0	78	0	-1 800	-1 722
Equity at 31.12.2017	0	80	600	30 751	**31 431**

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

STATEMENT OF CASH FLOWS

Statement of cash flows

EUR thousand	Note	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Cash flows from operating activities			
Profit before tax		698	969
Adjustments for			
Amortization of deferred income	9	-128	-132
Depreciation	9	1 505	1 505
Finance income and costs, net	7	554	530
Change of working capital			
Change in trade and other receivables		71	-2 685
Change in trade and other payables		-171	147
Net cash flows from operating activities		**2 529**	**334**
Cash used in investing activities			
Capital Expenditure	9	-	-
Loans given to related party	15	-	-25 671
Interest received		-	2
Net cash flows used in investing activities		**0**	**-25 669**
Cash flows from financing activities			
Proceeds from borrowings		-	32 000
Repayment of borrowings		-560	-
Repayment of borrowings from parent company	15	-40	-4 390
Cash deposited on escrow account		-	-880
Contibution from/to Sunborn International Oy		36	67
Payment of the share capital		-	3
Transaction/loan agent costs		-6	-933
Interest paid		-1 777	-488
Net cash flows from financing activities		**-2 346**	**25 380**
Cash and cash equivalents at the beginning of period		45	3
Effects of exchange rate changes on cash and cash equivalents			-2
Change in cash and cash equivalents		**183**	**42**
Cash and cash equivalents at the end of period		**228**	**45**

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

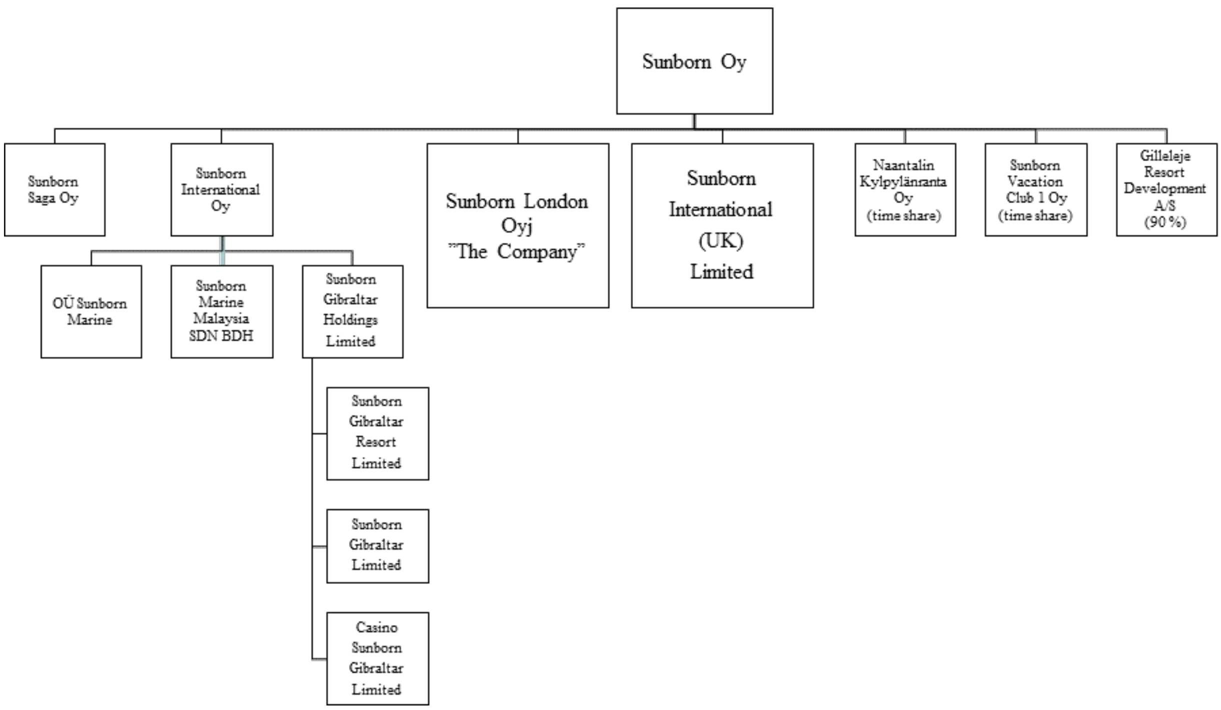
NOTES TO THE FINANCIAL STATEMENTS

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 'at Royal Victoria Dock in London, the UK ("Yacht hotel"), which it has leased to its sister company Sunborn International (UK) Limited ("Sunborn UK"). The hotel operations of the Yacht hotel Sunborn London are run by management company ISS Facility Services Ltd ("ISS") in accordance with a lease contract between ISS and Sunborn UK. The Yacht hotel is equipped with 138 cabins, including four suites or high class cabins, with a total hotel capacity of 524 persons. There are also conference facilities for up to 200 delegates, restaurant, bar and lounges inside the Yacht hotel. The Company had no employees in 2015 and 2016. Sunborn London Oyj's parent company Sunborn Oy provides management and administrative services to the Company. Sunborn UK's sole operations consist of acting as the lessee and lessor of the Yacht hotel.

Sunborn Oy is the sole owner and parent company of Sunborn London Oyj and Sunborn UK. Sunborn Oy is a Niemi family owned company based in Finland. Sunborn Oy focuses on the development of luxury spa and yacht hotels, restaurants and other high-quality property, and has more than 40 years of experience in the hospitality sector. Sunborn Oy had altogether 13 subsidiaries as at December 31, 2016 ("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.

Sunborn Group structure:



2. Summary of significant accounting policies

Basis of preparation

These financial statements of the Company 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, 2017. International Financial Reporting Standards refer to the standards and interpretations applicable by corporations set out by the Finnish accounting ordinance and other guidance set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

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

The preparation of 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 the Company'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.

Basis of accounting for the carve-out financial information

The carve-out financial information of Sunborn London Oyj for the four month period ended April 30, 2016 has been prepared on a carve-out basis from Sunborn International Oy's standalone financial statements, which comply with Finnish Accounting Standards ("FAS"), comprising the historical income and expenses, assets and liabilities and cash flows attributable to the business related to the Yacht hotel and adjusted to comply with IFRS as adopted by the EU. As IFRS does not provide guidance for the preparation of carve-out financial statements, certain accounting conventions commonly used for the preparation of historical financial information have been applied in preparing the carve-out financial information for the four month period ended April 30, 2016. The application of these carve-out conventions has been described below.

The carve-out financial information may not be indicative of the Company's future performance and it does not necessarily reflect what its results of operations, financial position and cash flows would have been, had Sunborn London Oyj operated as an independent company and had it presented stand-alone financial statements during the periods presented.

The following summarises the main carve-out adjustments and allocations made in preparing the carve-out financial information. Management of the Company considers that the allocations described below have been made on a reasonable basis, but are not necessary indicative of the costs that would have been incurred if Sunborn London Oyj had been independent company.

Intercompany transactions and related party transactions

Transactions with other Sunborn Group companies and Sunborn London business have been treated as related party transactions. All intercompany receivables and liabilities and income and expenses of Sunborn Group with the counterparty of Sunborn London business have been allocated to the Company.

Invested equity

Sunborn London Oyj did not before the demerger form a separate legal entity and accordingly it is not conceivable to present share capital separately from other equity balances including reserves. The Company's net assets as at January 1, 2016 are represented by capital invested in Sunborn London business and shown in the carve-out financial statement carve-out financial information for the four month period ended April 30, 2016. as "invested equity". Changes in net assets allocated to Sunborn London business are presented separately in the statement of changes in invested equity through line "Equity transactions with Sunborn International Oy" and in the statement of cash flows under "Contribution to/from Sunborn International Oy" reflecting the internal financing between Sunborn London business and Sunborn International Oy during the period presented. The amount of invested equity (net assets) allocated to the Company in the demerger is reflected on line "Demerger on April 30, 2016" in the statement of changes in equity. The net asset allocated to the Company consists mainly of investment property, intercompany receivables and liabilities and net cash and cash equivalents.

Cash Management and Financing

The Company's cash and cash equivalents comprise of bank accounts of Sunborn London business which were transferred to Sunborn London Oyj in connection with the demerger. The working capital needs of Sunborn London business were financed through Sunborn International Oy before the demerger. Also the cash inflows related to Sunborn London business were paid to the bank accounts of Sunborn International Oy. Those bank accounts did not transfer to Sunborn London Oyj in connection with the demerger and movements related to the Sunborn London business in those bank accounts are presented separately in the statement of changes in invested equity through line "Equity transactions with Sunborn International Oy".

Income Tax

While Sunborn London business was part of Sunborn International Oy, they operated as one tax payer. The taxes allocated to Sunborn London business from the demerging Sunborn International Oy have been calculated as Sunborn London business had been a separate taxpayer. Therefore, the income tax for the carve out periods is the amount of tax payable or refundable based on the entity's hypothetical tax returns, and it is presented as current tax expense in the income statement. In the balance sheet these tax entries are presented as transactions through invested equity "as group contribution", because any payable or refundable taxes will not arise to Sunborn London Oyj due to these hypothetical taxes. Deferred taxes on temporary differences are recognised where such temporary differences exist.

Evaluation of the future impact of new standards and interpretations

Certain new or revised standards and interpretations have been issued that are mandatory for the Company's annual periods beginning on or after 1 January 2017. The most significant ones to the Company are:

- IFRS 9, *Financial instruments (effective date 1 January 2018),* replaces the multiple classification and measurement models in IAS 39 and it will bring changes to classification and measurement of financial assets, their impairment assessment, and hedge accounting. The Company does not hold financial assets for investing or trading purposes and it does not currently use hedging instruments. The Company has lease receivables from its sister-company Sunborn UK and loan receivables from its parent company Sunborn Oy to be assessed subject to IFRS 9. The management of the company is currently assessing the impact of the adoption of IFRS 9 on the Company's financial statements.

- IFRS 16, *Leases (effective date 1 January 2019)* will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As the Company is currently acting as lessor in its lease agreements, the standard is expected not to have a material impact on the Company's financial statements. However, there will be new disclosure requirements for the lessor.

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

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. The financial statements are presented in euros, which is the Company's presentation currency.

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 has measured the investment property at fair value as at 1 January 2015, as the Company has 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 any 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 when 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.

Loans and receivables

The Company classifies all its financial assets in into category “Loans and receivables”. Loans and receivables 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. Loans and receivables are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost less provision for impairment. Loans and receivables are derecognised when the contractual rights to the cash flows from the financial asset expire or the Company transfers the financial asset or the group of financial assets in question. Company’s “Loans and receivables” comprise non-current loan given to Sunborn Oy, a parent company of Sunborn London Oyj, current trade and other receivables, which includes 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 loans and receivables

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other indicators. If there is objective evidence, the asset is tested for impairment. The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in income statement. The reversal of the previously recognised impairment loss is recognised in the income statement.

Financial liabilities

Financial liabilities of the Company 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 Company’s borrowings consist of senior secured bonds which were withdrawn during 2016. Before that the Company had borrowings from its parent company that arose in connection with the demerger and were subsequently repaid with the proceeds from the bonds.

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 (or in the normal operating cycle of the business if longer). 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 income 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 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. Deferred income 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 income tax asset is realised or the deferred income tax liability is settled. Deferred income 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 income 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 income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Recognition of rental income

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

Interest income

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

Group contribution

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

Segment reporting

The Company 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 Company 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.

Fair value measurement of the Yacht hotel

As the Company prepares its special purpose financial statements using IFRS, it can use the exemption included in IFRS 1 to measure investment property at fair value and use this fair value as the deemed cost at the date of transition to IFRS. The fair value of the Yacht hotel at the date of transition to IFRS is calculated based on income approach using discounted cash flow analysis. 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 %.

Based on the valuation, the Yacht hotel is recognised on the balance sheet at the date of transition at fair value of EUR 45 million. The aggregate adjustment to the carrying amounts reported under FAS calculated in carve out basis was EUR 31 million as at January 1, 2015. The fair value measurement is prepared using unobservable inputs based on the management estimation. The cash flows in the discounted cash flow calculation are based on the fixed payments in the external lease contract with ISS less estimated operating expenses. If the discount rate used in the calculation would be one percentage point lower/higher, the fair value would have been approximately 4.7 million higher / 3.9 million lower.

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 Company 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 2017 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 2017 would have increased by approximately 0.3 million.

Determination of the functional currency of the Company

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

4. Financial risk management

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. 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.

Foreign exchange risk

The objective of foreign exchange risk management is to reduce the uncertainty caused by fluctuations in foreign exchange rates in the Company's profit and loss, cash flows and balance sheet to an acceptable level for the Company. 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.

Despite the fact the depreciation of the exchange rate should be significant, before it would weaken the Company's debt service capacity going forward, the management decided to enter into a EURGBP open window forward rate contract for period 5th October 2017 until 31st December 2017 and from 1st January until 29th September 2018 for an amount corresponding to the bond coupon payments to be made in these periods.

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

EUR thousand	**31 Dec 2017**	**31 Dec 2016**
Lease receivables	3 404	3 551
Cash and cash equivalents	107	0
Total	**3 511**	**3 551**

At December 31, 2017, if the GB Pound strengthened/weakened by 15% against the euro, post-tax profit for the year would have been EUR 458 thousand (2016: EUR 426 thousand) higher/lower.

Interest rate risk

The Company has issued senior secured bonds during year 2016 that carries variable interest rate. 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, 2017 consisting of margin of 5.5% plus 3-month Euribor. Cash and cash equivalents do not carry significant interest. The loan receivable from the parent company Sunborn Oy that amounts to EUR 26 million carries floating interest rate based on 3-month Euribor and is 6.1% as at December 2017, 31. Interest rate risk has not been hedged. The management of the Company monitors changes in the interest rate level and its possible impact on future cash out flows. The need for any hedging activity is assessed continuously. Had interest rates been 1 percentage points higher, the Company's profit after tax would have been EUR 10 thousand lower. Decrease in interest rates would not have any material impact due to the interest rate floor of 0 % in the bonds and loan receivable in respect to the reference rate.

Credit risk

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

The Company has leased the Yacht hotel to its sister company Sunborn UK which further has leased the yacht hotel to ISS Facility Services Ltd under a long term lease contract. The lease receivables from Sunborn UK amounted to approximately EUR 3.4 million on 31.12.2017 (EUR 3.5 million on 31.12.2016). 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 London UK. However, due to the demerger, the receivables and liabilities could not be offset.

The lease receivables create a credit risk concentration to the Company. The credit risk is managed by continuously monitoring the performance of the ultimate lessor, ISS, and the financial position of Sunborn UK. ISS A/S, the ultimate Group parent of ISS Facility Services Ltd, was rated in April 2017 by Standard & Poors as BBB rating.

The most significant receivable is the loan granted to the parent company Sunborn Oy in 2017. The loan carry 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 group companies are directed by common management. The amounts and terms and conditions of the loans and receivables from group companies are presented in note 15.

Cash and cash equivalents and the cash deposit (cash collateral) are held in reputable Nordic banks, whose credit ratings are strong.

There are no past due or impaired receivables on the Company’s balance sheet.

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 Company’s liquidity position is monitored by the management of the Company. The business related to the Yacht hotel has been historically profitable and the non-cancellable lease term in accordance with the lease agreement between the ISS and Sunborn UK is for over 11 years as at December 31, 2017. The lease contract can be early terminated only upon the occurrence of remote contingencies.

A summary table with maturity of the financial liabilities is presented below. The amounts disclosed in the tables below are the contractual undiscounted cash flows including the interest payments. The interest payments are calculated based on the interest rate level on December 31, 2016.

31 Dec 2017

EUR thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Payables to group companies	149	-	-	-	149
Trade and other payable	0	-	-	-	0
Senior secured bond	608	672	704	29 456	31 440
Senior secured bond, interest payments	1 745	1 709	1 677	1 214	6 345
Total	2 502	2 381	2 381	30 670	**37 934**

31 Dec 2016

EUR thousand	< 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total
Payables to group companies	161	-	-	-	161
Trade and other payable	117	-	-	-	117
Senior secured bond	560	608	672	30 160	32 000
Senior secured bond, interest payments	1 777	1 744	1 719	2 854	8 094
Total	2 615	2 352	2 391	33 014	**40 372**

The refinancing risk is managed by securing the refinancing early enough. The management of the Company believes it is able to refinance the bonds at or before maturity due to the profitable, long term lease contract of the Yacht hotel with the long term, reliable partner, ISS. The committed lease contract period continues after the maturity of the bonds for approximately 8 more years.

Capital management

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

The capital management is based on the evaluation of essential risks concerning the Company. The management of the Company monitors equity ratio. Capital of the Company is managed through group contributions or equity instalments. In accordance with bond terms of bonds issued by the Company and guaranteed by Sunborn UK, as described in note 14 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 Company's rental income consist of rental income from its sister company 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	31 Dec 2017	31 Dec 2016
No later than 1 year	2 908	3 013
Later than 1 year and no later than 5 years	11 632	12 054
Later than 5 years	18 417	22 098
Total	**32 957**	**37 165**

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 2017	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Administrative expenses	249	185	113
Management fee	48	67	-
Maintenance expenses	15	9	1
Total	**312**	**261**	**113**

Auditor's fee

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Statutory fees	26	2	1
Other services	59	0	1
Total	**85**	**2**	**2**

7. Finance income and costs

Finance income and costs are presented in the table below:

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Finance income:		
Interest income on loan given to parent company	1559	398
Interest income on cash deposit	-	2
Foreign exchange gains	-	13
Total finance income	1559	414
Finance expenses:		
Interest expenses on borrowings	-1 952	-514
Interest expenses on borrowings from the parent company	-	-116
Other finance costs	-6	-31
Foreign exchange losses	-155	-283
Total finance costs	-2 113	-944
Finance income and costs, net	**-554**	**-530**

Foreign exchange losses relate to the lease receivables from Sunborn UK which are denominated in GBP. Terms and conditions on loan given and borrowings from the parent company are described in note 15 Related party transactions.

8. Income tax expense

The effective tax rate in 2017 and 2016 was 20 %. There are no reconciling items between income tax expense as recognised in the statement of comprehensive income or tax expense calculated using the Finnish tax rate (20 %).

Income tax expense

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Current tax	-450	-150
Change in deferred taxes	310	-44
Total	**-139**	**-194**

9. Investment property

The Company has used the fair value of the Yacht hotel as deemed cost for the investment property as at 1 January 2015. The valuation prepared by the Company is based on discounted cash flow analysis and it is described in more detail in note 3. Fair value of the yacht hotel was approximately 41 million EUR on 31.12.2017 (2016: 43 million EUR). 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. After the IFRS transition and at 31 December 2017 the assets are not valued based on fair value method in the financial statements. The company books investment property at cost value less accumulated depreciation and impairment according the cost model.

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 Company 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.

EUR thousand	**Yacht hotel**
Cost at January 1, 2017	45 432
Cost at December 31, 2017	**45 432**
Accumulated depreciation at January 1, 2017	3 010
Depreciation	1 505
Accumulated depreciation and impairment at December 31, 2017	**4 515**
Net book value at January 1, 2017	42 422
Net book value at December 31, 2017	40 917

EUR thousand	**Yacht hotel**
Cost at January 1, 2016	45 432
Cost at December 31, 2016	**45 432**
Accumulated depreciation at January 1, 2016	1 505
Depreciation	1 505
Accumulated depreciation and impairment at December 31, 2016	**3 010**
Net book value at January 1, 2016	43 927
Net book value at December 31, 2016	42 422

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 2017**	**1 Jan - 31 Dec 2016**
Rental income	2 941	3132
Direct operating expenses from property that generated rental income	133	143

10. Trade and other receivables

The trade and other receivables in the balance sheets in the periods presented consist solely of trade receivables.

11. Deferred income tax

EUR thousand	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Deferred tax assets:		
Payment received for the improvements of the the Yacht hotel	154	180
Total	154	180
At January 1	180	205
Recognized in equity	-26	-26
Book value at December 31	154	180
Deferred tax liabilities:		
Depreciation difference on investment property	7 763	8 064
Measurement of the borrowings using effective interest method	144	179
Total	7 907	8 243
At January 1	8 243	8 225
Recognized in income statement	-336	18
Book value at December 31	7 907	8 243
Deferred tax assets and liabilities, net	**7 752**	**8 063**

12. 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. Sunborn London Oyj was established in the demerger of Sunborn International Oy on April 30, 2016. Thus, it is not possible to present share capital or an analysis of equity reserves for the financial year 2015. The net assets of Sunborn London business are represented by capital invested in Sunborn London, presented under “invested equity” on the balance sheet in 2015. The group contribution recognised directly to equity amounted to EUR 2.040 thousand and was recognised as a liability in 2017 and as a receivable of EUR 60 thousand in 2016.

13. Trade and other payables and payables to group companies

The trade and other payables in the balance sheets in the periods presented consist solely of trade payables.

Payables to group companies

EUR thousand	31 Dec 2017	31 Dec 2016
Trade payables to group companies	-	83
Borrowings from group companies	149	78
Total	**149**	**161**

14. Borrowings

EUR thousand	31 Dec 2017	31 Dec 2016
Non-current:		
Senior secured bond	30 114	30 546
Current:		
Senior secured bond	608	560
Total	**30 722**	**31 106**

As at 26 September 2016 the Company issued senior secured bonds with nominal amount of EUR 32 million to certain qualified institutional investors mainly to finance the existing debt of its sister company Sunborn UK in the amount of EUR 23.8 million and to provide additional financing to its parent company Sunborn Oy in the amount of EUR 6.5 million. The amount of EUR 0.9 million equivalent of 6 months interest was deposited in a reserve account in the bank (cash collateral). The remaining proceeds were used for general corporate purposes.

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

Fair value of the bonds equals the carrying amount as it was withdrawn during the year at market terms.

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 bond agreement sets some restrictions on the activities of the Company as described note 4 Financial risk management, section Capital management and note 12 Equity.

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

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

15. Related parties

Transactions with related parties

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

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

EUR thousand	1 Jan - 31 Dec 2017 Rental income from the operating lease	Manage-ment fee	Interest income	1 Jan - 31 Dec 2016 Rental income from the operating lease	Manage-ment fee	Interest income	Interest expenses
Parent - Sunborn Oy	-	-48	1 559	-	-67	398	-116
Sunborn International (UK) Ltd	2 941	-	-	3 132	-	-	-
Total	**2 941**	**-48**	**1 559**	**3 132**	**-67**	**398**	**-116**

EUR thousand	31 Dec 2017 Receivables	Liabilities	31 Dec 2016 Receivables	Liabilities
Parent - Sunborn Oy	25 418	149	25 954	161
Sunborn International Oy	24		60	
Sunborn International (UK) Ltd	3 404	-	3 551	-
Total	**28 846**	**149**	**29 565**	**161**

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

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

The loan granted to the parent company Sunborn Oy in September 2016 matures in September 2021. The loan receivable accumulates interest income at 6.1% p.a. and is recognised as receivable from the parent company. Fair value of the loan receivable approximates its carrying amount, as it was given to the parent in October 2016 and carries interest rate based on market rate.

The lease receivables from Sunborn UK amounted to approximately EUR 3.4 million on 31.12.2017 (EUR 3.5 million on 31.12.2016).

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

Sunborn UK has guaranteed the senior unsecured bonds of the Company. Detailed information on the guarantee is described in note 13 Borrowings.

16. Events after the balance sheet date

Nothing to report.

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Sunborn London Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Sunborn London Oyj (business identity code 2726819-7) for the year ended 31 December 2017. The financial statements comprise:

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

Basis for Opinion

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

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

Independence

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

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

Our Audit Approach

Overview

Materiality

- Overall materiality: 69 thousand euros, which represents 2,5 % of profit before interest, taxes and depreciation.

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	69 thousand euros
How we determined it	2,5 % of company profit before interest, taxes and depreciation.
Rationale for the materiality benchmark applied	*We chose profit before interest, taxes and depreciation as the benchmark because in our view, it is the benchmark against which the performance of the company is most commonly measured by users, and is a generally accepted benchmark. We chose 2,5 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.*

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. There is a risk that the rental income is booked to a wrong period. This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.	We reviewed the appropriateness of the company´s accounting policies regarding revenue recongnition. We assessed compliance with policies in terms of applicable accounting standards. In audit of revenue recognition, we focused on lease agreement. We tested the booked revenue by comparing it to the lease agreement.
Valuation of investment property *Refer to Accounting policies and note 9* Company´s investment property consist of Yacht hotel. The company's investment property is exposed to impairment risk. The possible need for impairment on property investment is evaluated at least once a year. If an asset item is recognized on the balance sheet at a value higher than the recoverable amount, an impairment loss is recorded. The valuation of investment property is a key audit matter due to the size of the balance sheet item and as the accounting for investment property requires	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.

management's judgment over timing of recognition of impairment and especially over fair valuation of the investment property.

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 2 years.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

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

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

Turku 30 April 2018

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 2017

COMPANY NUMBER 03843168

SUNBORN INTERNATIONAL (UK) LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2017

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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

SMALL COMPANIES PROVISION STATEMENT

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

The directors report was approved by the board on 18 April 2018 and signed on its behalf by:

Authorised signatory of
Goodwille Limited
Company secretary

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

Opinion

We have audited the financial statements of Sunborn International UK Limited for the year ended 31 December 2017 which comprise: the statement of comprehensive income; statements of financial position; statement of changes in equity; statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017, and of its loss for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

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

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

18 April 2018

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 £	2016 £
Assets			
Property, plant and equipment	9	919,740	1,051,131
Total non-current assets		919,740	1,051,131
Trade and other receivables	10	1,309,319	1,316,919
Cash and cash equivalents	11	39,336	5,437
Total current assets		1,348,655	1,322,356
Total assets		2,268,395	2,373,487
Equity attributable to the shareholder			
Issued capital	12	150,000	150,000
Accumulated losses		(1,036,725)	(953,845)
Total equity		(886,725)	(803,845)
Liabilities			
Trade and other payables	13	3,155,120	3,177,332
Total current liabilities		3,155,120	3,177,332
Total liabilities		3,155,120	3,177,332
Total equity and liabilities		2,268,395	2,373,487

ON BEHALF OF THE BOARD:

H Niemi
Director
Approved and authorised for issue by the Board on 18 April 2018.

SUNBORN INTERNATIONAL (UK) LIMITED

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Operating loss	(82,880)	(83,536)
Depreciation	131,391	131,391
Decrease in receivables	7,600	577,703
(Decrease)/increase in payables	(22,212)	2,097,116
Net cash utilised in operating activities	33,899	2,722,674
Cash flows from investing activities		
Investing in group undertakings	-	17,254,258
Net cash generated from investing activities	-	17,254,258
Cash flows from financing activities		
Loans repaid	-	(19,973,099)
Net cash utilised from financing activities	-	(19,973,099)
Net increase in cash and cash equivalents	33,899	3,833
Cash and cash equivalents at beginning of period	5,437	1,604
Cash and cash equivalents at end of period	39,336	5,437

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 rental income from renting out "Sunborn London". Rental income from operating leases is recognised on a straight-line basis over the lease term.

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

Foreign currency

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

Tax

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Leases

Company as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Sunborn UK has leased yacht hotel "Sunborn London" from its sister company Sunborn London Oy under operating lease terms. The company has also agreements in place for mooring and docking of the yacht hotel "Sunborn London" at the Royal Victoria Dock in the London Borough of Newham.

Company as a lessor

Company has leased yacht hotel "Sunborn London" to ISS Facility Services Ltd under operating lease terms. Rental income is recognised on a straight-line basis over the lease term.

Operating segments

The company's operations relate to the leasing of a luxury floating hotel and as such has only one operating segment.

3. Operating loss

The operating loss is after charging:	2017	2016
	£	£
Depreciation of owned assets	131,391	131,391
Auditor's remuneration:		
Audit of these financial statements	3,300	3,250

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

4. Personnel expenses

Number of employees

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

	2017	2016
Directors	2	2

No remuneration was paid to the directors during the year (2016 - £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the loss attributable to ordinary shareholders of £82,880 (2016: £83,536) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2017 of £150,000 (2016: 150,000) calculated as follows:

Profit attributable to ordinary shareholders

	2017	2016
	£	£
Loss for the period	(82,880)	(83,536)
Loss attributable to ordinary shareholders	(82,880)	(83,536)

Weighted average number of ordinary shares

	2017 Number	2016 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

	2017	2016
	£	£
Earnings per share	(0.55)	(0.56)

There is no difference between the basic and diluted loss per share.

11. Cash and cash equivalents

	2017	2016
	£	£
Bank balances	39,336	5,437
Cash and cash equivalents	39,336	5,437

12. Capital and reserves

Share capital

	2017		2016	
	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:

	2017	2016
	£	£
Cash and cash equivalents	39,336	5,437
Net debt	39,336	5,437
Equity	(886,725)	(803,845)
Total capital	(847,389)	(798,408)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The company held the following categories of financial instruments at 31 December 2017:

	2017	2016
	£	£
Financial assets		
Loans and receivables:		
Trade receivables	-	225,745
Amounts owed by group undertakings	1,091,174	1,091,174
Other receivables	218,145	-
Cash at bank	39,336	5,437
Total financial assets	1,348,655	1,322,356

Liabilities at amortised cost or equivalent:	2017	2016
	£	£
Trade payables	(591)	(2,324)
Amount owed to group undertakings	(3,020,000)	(3,040,000)
Other payables	(131,429)	(131,113)
Accruals and deferred income	(3,100)	(3,896)
Loans and borrowings		
Total financial liabilities	(3,155,120)	3,177,333

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Related parties

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

The cost of sales for the company arises from a single lease contract with its sister company Sunborn London Oyj (since August 2016) and before August 2016 with Sunborn International Oy, under which the Sunborn London Oyj has leased the yacht hotel to the company to enable rental income to be earned. The lease expense from the contract during 2017 amounted to £2,580,000 (2016: £2,580,000).

At the year end the company owed to Sunborn International OY and Sunborn London OY £536,076 and £1,542,750 respectively. These amounts are interest fee and repayable on demand.

Further related party transactions include £150,000 to Sunborn Gibraltar, a member of the Sunborn Oy group. This amount is interest fee and repayable on demand.

18. Critical accounting estimates and judgements

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

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

19. Smallest and largest group accounts

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

20. Non adjusting events after the financial period

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