
**FINANCIAL STATEMENTS 2018**
**SUNBORN LONDON OYJ**

sunborn

CONTENTS

## REPORT OF BOARD OF DIRECTORS 2018

### Key Figures (IFRS)

| EUR thousand | **1 Jan - 31 Dec 2018** | **1 Jan - 31 Dec 2017** |
|---|---|---|
| Rental income | 2 913 | 2 941 |
| Operating profit | 1 324 | 1 253 |
| Investment property (yacht hotel) | 39 412 | 40 917 |
| Total Equity | 30 254 | 31 431 |
| Borrowings | 30 297 | 30 722 |

### 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 is well positioned in the market enjoying excellent ratings and has continued its top position among a competitive set of other selected London 4 star properties located in the E14 and E16 areas. The London hotel market in general is doing well and in our view the travel industry is benefitting 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 January - 31 December 2018

Rental Income for the reporting period was 2.91 M€ (2.94 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 are in line with previous year. Operating costs 2017 include some the one-time costs related to the listing.

Fair value of the yacht hotel as at 31 December 2018 was approximates 41 M€. The volatility in the fair value is mainly due to fluctuation of the GBP/EUR exchange rate.

### Notable events during the reporting period

At December Sunborn London Oyj established a dormant subsidiary for administrative purposes thus became the parent company of the group.

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

## Business environment

No significant changes in business environment.

Sunborn London Oyj 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 Sunborn London Oyj and Sunborn International (UK) Ltd.

Sunborn International (UK) Ltd, a sister company to Sunborn London Oyj, has entered a 15-years fixed triple net management service contract in 2014 for operations of the Sunborn London Yacht hotel with ISS Facility Services Ltd, a 100% owned subsidiary of ISS A/S listed in Denmark.

Customer satisfaction continues to be excellent reflected in the current score of 8.7/10 on Booking.com, 8.6/10 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 management of the company closely monitors the development of the GBP/EUR exchange rate and aims to protect the Company against unfavorable developments.

The management review financial risks on regular basis to manage financial risk position and decide on necessary actions ensure the performance.

## Corporate Governance

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

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

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

The Board of Directors of Sunborn London Oyj consists of four ordinary members, elected by the AGM for one year at a time. The Board of Directors decides on significant matters concerning the company strategy, investments and finance. In 2018 the Board had 3 meetings.

Members of the Board of Directors in 2018 were Ritva Niemi, Pekka Niemi, Hans Niemi and Jari Niemi. There has not been any remuneration for the Board of Directors in 2018. Sunborn London Oyj has no committees.

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

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

## Proposal for profit distribution

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

| EUR thousand | Note | **1 Jan -31 Dec 2018** | **1 Jan - 31 Dec 2017** |
|---|---|---|---|
| Rental income from group companies | 5 | 2 913 | 2 941 |
| Other operating income | 5 | 128 | 128 |
| Depreciation | 9 | -1 505 | -1 505 |
| Other operating expenses | 6 | -212 | -312 |
| **Operating profit** | | **1 324** | **1 253** |
| Interest income | 7 | 1 559 | 1 559 |
| Finance costs | 7 | -2 029 | -2 113 |
| Finance income and costs, net | | -470 | -554 |
| **Profit before taxes** | | **854** | **698** |
| Income tax expense | 8 | - | -450 |
| Change in deferred tax | 8 | -101 | 310 |
| **Profit for the period** | | **753** | **559** |
| **Total comprehensive income for the period** | | **753** | **559** |

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

## CONSOLIDATED BALANCE SHEET (IFRS)

| EUR thousand | Note | **31 Dec 2018** | **31 Dec 2017** |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment property | 9 | 39 412 | 40 917 |
| Receivables from group companies | 14 | 24 745 | 25 418 |
| Cash collateral | 13 | 880 | 880 |
| **Total non-current assets** | | **65 037** | **67 215** |
| | | | |
| **Current assets** | | | |
| Trade receivables from group companies | 14 | 3 123 | 3 428 |
| Other receivables | | 14 | 7 |
| Cash and cash equivalents | | 419 | 229 |
| **Total current assets** | | **3 556** | **3 663** |
| | | | |
| **Total assets** | | **68 593** | **70 878** |

| EUR thousand | Note | **31 Dec 2018** | **31 Dec 2017** |
|---|---|---|---|
| **Equity and liabilities** | 11 | | |
| Share capital | | 80 | 80 |
| Reserve for invested unrestricted equity | | 600 | 600 |
| Retained earnings | | 29 574 | 30 751 |
| **Total equity** | | 30 254 | 31 431 |
| | | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 13 | 29 625 | 30 114 |
| Deferred income | | 642 | 770 |
| Deferred income tax liabilities | 10 | 7 371 | 7 752 |
| **Total non-current liabilities** | | **37 638** | **38 637** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 0 | 0 |
| Payables to group companies | 14 | 5 | 149 |
| Borrowings | 13 | 672 | 608 |
| Accrued expenses | | 24 | 53 |
| **Total current liabilities** | | **701** | **811** |
| | | | |
| **Total liabilities** | | **38 339** | **39 448** |
| | | | |
| **Total equity and liabilities** | | **68 593** | **70 878** |

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 1.1.2017** | 3 | 600 | 31 992 | 32 594 |
| Profit for the period | | | 559 | 559 |
| **Total comprehensive income** | 0 | 0 | 559 | **559** |
| Transactions with owner: | | | | |
| Payment of the share capital | 78 | | | 78 |
| Group contribution | | | -1 800 | -1 800 |
| **Total contributions by and distributions to owners of the parent, recognised directly in equity** | 78 | 0 | -1 800 | -1 722 |
| **Equity at 31.12.2017** | 80 | 600 | 30 751 | **31 431** |
| | | | | |
| **Equity at 1.1.2018** | 80 | 600 | 30 751 | 31 431 |
| Profit for the period | | | 753 | 753 |
| **Total comprehensive income** | 0 | 0 | 753 | **753** |
| Transactions with owner: | | | | |
| Group contribution | | | -1 930 | -1 930 |
| **Total contributions by and distributions to owners of the parent, recognised directly in equity** | 0 | 0 | -1 930 | -1 930 |
| **Equity at 31.12.2018** | 80 | 600 | 29 574 | **30 254** |

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

## STATEMENT OF CASH FLOWS (IFRS)

| EUR thousand | Note | 1 Jan -31 Dec 2018 | 1 Jan - 31 Dec 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 854 | 698 |
| Adjustments for | | | |
| Amortisation of deferred income | 10 | -128 | -128 |
| Depreciation | 9 | 1 505 | 1 505 |
| Finance income and costs, net | 7 | 470 | 554 |
| Change of working capital | | | |
| Change in trade and other receivables | | 298 | 71 |
| Change in trade and other payables | | -174 | -171 |
| **Net cash flows from operating activities** | | **2 825** | **2 530** |
| **Cash used in investing activities** | | | |
| **Net cash flows used in investing activities** | | **0** | **0** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | -608 | -560 |
| Repayment of borrowings from parent company | | - | -40 |
| Contibution from/to Sunborn International Oy | 14 | -180 | 36 |
| Transaction/loan agent costs | | -5 | -6 |
| Interest paid | | -1 745 | -1 777 |
| **Net cash flows from financing activities** | | **-2 538** | **-2 346** |
| Cash and cash equivalents at the beginning of period | | 229 | 45 |
| Effects of exchange rate changes on cash and cash equivalents | | -97 | 0 |
| **Change in cash and cash equivalents** | | **190** | **184** |
| **Cash and cash equivalents at the end of period** | | **419** | **229** |

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

## NOTES TO THE FINANCIAL STATEMENTS (IFRS)

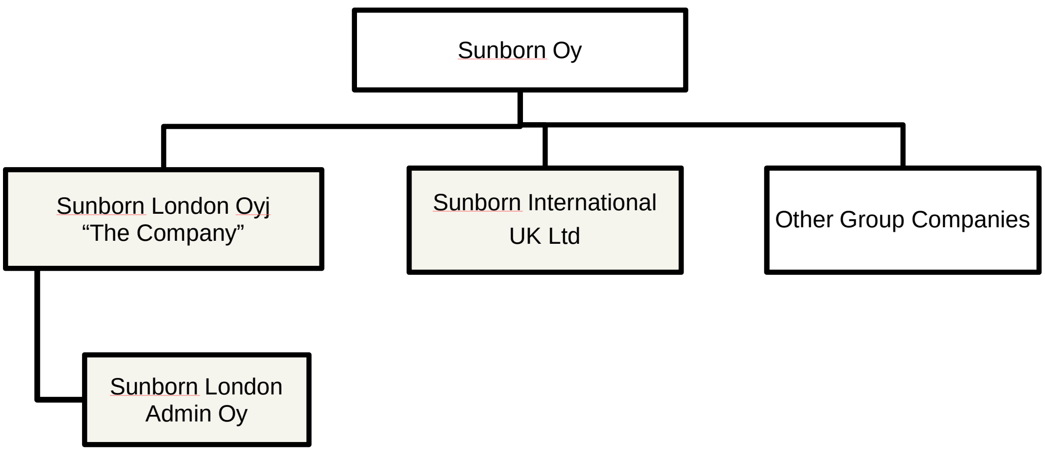
### 1. General information

Sunborn London Oyj is a public limited liability company ("the Company") incorporated in Finland. The registered address of Sunborn London Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn London Oyj was established on April 30, 2016 through a demerger of Sunborn International Oy. Sunborn London Oyj owns a luxury yacht hotel "Sunborn London" docked at Royal Victoria Dock in London, the UK ("Yacht hotel"), which it has leased to its sister company Sunborn International (UK) Limited ("Sunborn UK"). The hotel operations of the Yacht hotel Sunborn London are run by management company ISS Facility Services Ltd ("ISS") in accordance with a lease contract between ISS and Sunborn UK. The Yacht hotel is equipped with 138 cabins, including four suites or high class cabins, with a total hotel capacity of 524 persons. There are also conference facilities for up to 200 delegates, restaurant, bar and lounges inside the Yacht hotel. The Company had no employees in 2018 and 2017. 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, 2018 ("Sunborn Group"). Sunborn Oy prepares consolidated financial statements under Finnish Accounting Standards. The copies of the consolidated financial statements as well as the Company's standalone financial statements are available at the parent company's head office, Juhana Herttuan puistokatu 23, Turku, Finland.

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

Sunborn Group structure:



## 2. Summary of significant accounting policies

### Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, conforming with the IAS and IFRS standards as well as SIC and IFRIC interpretations applicable as per December 31, 2018. International Financial Reporting Standards refer to the standards and interpretations applicable by corporations set out by the Finnish accounting ordinance and other guidance set out on the basis of this ordinance enforced for application in accordance with the procedure stipulated in the regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the financial statements also comply with the Finnish accounting and corporate legislation complementing the IFRS standards.

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

Preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

### Adoption of new IFRS standards

The most relevant new IFRS standards adopted during the year by the Company are:

IFRS 9 *Financial instrument* replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in different classification of the financial assets of the group, and new impairment model. The adoption did not have material impact on the financial statements.

The Group has also adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. Because the Company only generates rental income, the new standards did not have any impact on the Company.

### 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 2019. The most significant ones to the Company are:

- 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 by the lessees. 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 one lease agreement, the standard is expected not to have a material impact on the Company's financial statements. However, there will be new disclosure requirements.

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, which is also the presentation currency of these consolidated statements.

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

**Investment property**

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

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

Subsequently, the investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the cost to the residual value over their estimated useful lives. The estimated useful life of the Yacht hotel divided to its significant components is presented in the table below:

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

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

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

## Impairment of investment property

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

## Financial assets

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

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

Before 1.1.2018, the group classified all its financial assets into category “Loans and receivables” under IAS 39. The measurement basis has not changed due to reclassification in accordance with IFRS 9.

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

### *Impairment of financial assets at amortised cost*

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with the receivables which are carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

## Financial liabilities

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

***Borrowings***

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

***Accounts and other payable***

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

**Current and deferred 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 Group entities operate and generate 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 interest income in the statement of comprehensive income.

**Group contribution**

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

**Segment reporting**

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

## 3. Critical accounting estimates and management judgement

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

***Useful life and residual value of the Yacht hotel***

The Yacht hotel has been built as permanently floating real-estate and hull and structure is designed to have a technical lifespan of over 70 years, subject to normal maintenance and upkeep over the lifespan. In addition to the high technical specification of the hull and its protection systems, the hotel is typically moved only once every 10 to 15 years for refitting and is not normally subjected to adverse sea conditions, salt water, and friction. As a non-moving vessel, it will not be impacted by encounters with land or vessels. The management of the Company has made estimates on the depreciation period and residual value of the Yacht hotel. The management has estimated that the useful life of the Yacht hotel is 40 years for the hull and structure and 10 years for the interior and fittings. The residual value is estimated to be EUR 5 million. Should certain factors or circumstances cause the management to revise its estimates of the Yacht hotel's useful lives or projected residual values, depreciation expense could be materially higher or lower. If the estimated average Yacht hotel useful life had reduced or increased by one year, depreciation expense for 2018 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 2018 would have increased by approximately EUR 0.13 million.

***Determination of the functional currency of the Company***

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

## 4. Financial risk management

The financial risks related to business are market risk (including interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk. Financial risk management carried out by the management aims to protect the group against unfavourable developments in the financial markets and ensure the performance. The management review financial risks on regular basis to manage financial risk position and decide on necessary actions.

*Foreign exchange risk*

The objective of foreign exchange risk management is to reduce the uncertainty caused by fluctuations in foreign exchange rates in the group's profit and loss, cash flows and balance sheet to an acceptable level. The Group is exposed to foreign currency risk through rental receivables and future cash flows arising from the lease contract of the Yacht hotel that is denominated in GBP.

Sunborn Oy, the parent of the Company, has hedged foreign exchange risk at the Sunborn Group level by using window forward rate contract.

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

| EUR thousand | **31 Dec 2018** | **31 Dec 2017** |
|---|---|---|
| Lease receivables | 3 158 | 3 404 |
| Cash and cash equivalents | 24 | 107 |
| **Total** | **3 182** | **3 511** |

At December 31, 2018, if the GB Pound strengthened/weakened by 15% against the euro, post-tax profit for the year would have been EUR 458 thousand (2017: EUR 463 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, 2018 consisting of margin of 5.5 % plus 3-month Euribor subject to a floor at 0 %. Cash and cash equivalents do not carry significant interest. The loan receivable from the parent of the Company, Sunborn Oy, that amounts to EUR 24.6 million carries floating interest rate based on 3-month Euribor and is 6.1 % subject to a floor at 0 % as at December 31, 2018.

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

*Credit risk*

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

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with the receivables which are carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has loan receivables from its parent company Sunborn Oy as well as lease receivables from its sister-company Sunborn UK which are assessed for impairment based on expected credit losses.

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 3.1 million on 31.12.2018 (EUR 3.4 million on 31.12.2017). 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 outstanding receivables are paid by Sunborn UK on a monthly basis.

The lease receivables create a credit risk concentration to the group. The credit risk is managed by continuously monitoring the performance of the ultimate lessor, ISS, and the financial position of Sunborn UK. ISS A/S, the ultimate Group parent of ISS Facility Services Ltd, was rated in April 2019 by Standard & Poors as BBB rating.

The most significant receivable is the loan granted to the parent company Sunborn Oy in 2017. The loan carries normal credit risk related to intra-group receivables. The credit quality of the loan depends on the financial performance of the parent company. Financial activities of the Sunborn Group companies are directed by common management. The amounts and terms and conditions of the receivables from group companies are presented in note 14.

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

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

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

The ageing analysis of trade receivables is as follows:

| EUR thousand | **31 Dec 2018** | **31 Dec 2017** |
|---|---|---|
| Not due | 240 | 266 |
| Less than 6 months past due | 1202 | 1212 |
| 6 - 12 months past due | 1442 | 1454 |
| Over 12 months past due | 239 | 496 |
| **Total** | **3 123** | **3 428** |

*Liquidity risk and refinancing risk*

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

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of adequate funding. In the long–run the principal source of liquidity is expected to be the cash flow generated by the lease agreement. The Group's liquidity position is monitored by the management. The business related to the Yacht hotel has been historically profitable and the non-cancellable lease term in accordance with the lease agreement between the ISS and Sunborn UK is for over 10 years as at December 31, 2018. 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, 2018.

**31 Dec 2018**

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

**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** |

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

Capital management is based on the evaluation of essential risks concerning the group. The management of the Company monitors equity ratio. Capital is managed through group contributions or equity instalments. In accordance with the terms of bonds issued by the Company and guaranteed by Sunborn UK, as described in note 13 Borrowings, the Company is not permitted to raise new external debt, however intra-group financing is allowed if needed either in form of equity or debt instruments.

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

## 5. Rental income from related parties and other income

The group's rental income 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 2018** | **31 Dec 2017** |
|---|---|---|
| No later than 1 year | 2 884 | 2 908 |
| Later than 1 year and no later than 5 years | 11 537 | 11 632 |
| Later than 5 years | 15 382 | 18 417 |
| **Total** | **29 803** | **32 957** |

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 2018** | **1 Jan - 31 Dec 2017** |
|---|---|---|
| Administrative expenses | 164 | 249 |
| Management fee | 48 | 48 |
| Maintenance expenses | - | 15 |
| **Total** | **212** | **312** |

**Auditor's fee**

| EUR thousand | **1 Jan - 31 Dec 2018** | **1 Jan - 31 Dec 2017** |
|---|---|---|
| Statutory fees | 16 | 26 |
| Other services | 5 | 59 |
| **Total** | **20** | **85** |

## 7. Finance income and costs

Finance income and costs are presented in the table below:

| EUR thousand | 1 Jan - 31 Dec 2018 | 1 Jan - 31 Dec 2017 |
|---|---|---|
| Finance income: | | |
| Interest income on loan given to parent company | 1 559 | 1 559 |
| Total finance income | 1 559 | 1 559 |
| | | |
| Finance expenses: | | |
| Interest expenses on borrowings | -1 927 | -1 952 |
| Other finance costs | - | -6 |
| Foreign exchange losses | -102 | -155 |
| Total finance costs | -2 029 | -2 113 |
| | | |
| **Finance income and costs, net** | **-470** | **-554** |

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 14 Related party transactions.

## 8. Income tax expense

The effective tax rate in 2018 was 12 % and 2017 was 20 %. There was a reconciling item of 0.3 MEUR related to unused tax-deductible losses between income tax expenses as recognised in the statement of comprehensive income or tax expense calculated using the Finnish tax rate (20 %).

**Income tax expense**

| EUR thousand | 1 Jan - 31 Dec 2018 | 1 Jan - 31 Dec 2017 |
|---|---|---|
| Current tax | 0 | -450 |
| Change in deferred taxes | -101 | 310 |
| **Total** | **-101** | **-139** |

**Tax charge**

| EUR thousand | 1 Jan - 31 Dec 2018 | 1 Jan - 31 Dec 2017 |
|---|---|---|
| Profit before income tax | 854 | 698 |
| | | |
| Previously unregognized tax losses | 70 | 0 |
| Tax calculated at Finnish tax rate (20%) | -171 | -139 |
| **Total** | **-101** | **-139** |

## 9. Investment property

The Yacht hotel is registered in Finland but located in London, United Kingdom, where it is leased under a lease agreement to Sunborn UK. Sunborn UK has leased the Yacht hotel to ISS, which runs the hotel operations of the Yacht hotel. ISS is responsible for the maintenance, the mooring fee, certain insurances, marketing of the vessel and any other such operational costs for operating the Yacht hotel. The group has thus no risk on operating the Yacht hotel, being only responsible for certain insurances and maintaining the hull.

*Fair value measurement of the Yacht hotel*

Fair value of the yacht hotel was approximately 41 million EUR on 31.12.2018 (2017: 41 million EUR). The valuation prepared by the Company is based on discounted cash flow analysis and it is described in more detail in note 3. The fair value measurement is based on unobservable inputs and accordingly, is classified in Level 3 in the fair value hierarchy.

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

The fair value measurement is prepared using unobservable inputs based on the management estimation. The cash flows in the discounted cash flow calculation are based on the fixed payments in the external lease contract with ISS less estimated operating expenses. If the discount rate used in the calculation would be one percentage point lower/higher, the fair value would have been approximately 4.5 million higher / 3.8 million lower.

*Changes in the carrying amount of investment property*

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

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 2018** | **1 Jan - 31 Dec 2017** |
|---|---|---|
| Rental income | 2 913 | 2 941 |
| Direct operating expenses from property that generated rental income | 104 | 133 |

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

## 10. Deferred income tax

| EUR thousand | **1 Jan - 31 Dec 2018** | **1 Jan - 31 Dec 2017** |
|---|---|---|
| Deferred tax assets: | | |
| Unused tax losses | 70 | 0 |
| Payment received for the improvements of the the Yacht hotel | 128 | 154 |
| Total | 198 | 154 |
| | | |
| At January 1 | 154 | 180 |
| Recognized in income statement | -26 | -26 |
| Book value at December 31 | 128 | 154 |
| | | |
| Deferred tax liabilities: | | |
| Depreciation difference on investment property | 7 462 | 7 763 |
| Measurement of the borrowings using effective interest method | 107 | 144 |
| Total | 7 569 | 7 907 |
| | | |
| At January 1 | 7 907 | 8 243 |
| Recognized in income statement | -337 | -336 |
| Book value at December 31 | 7 569 | 7 907 |
| | | |
| **Deferred tax assets and liabilities, net** | **7 371** | **7 752** |

## 11. Equity

Number of the shares has been 200 shares since the establishment of the Company. Shares have no nominal value. The Company has not distributed any dividend and the bond agreement set some restrictions for distribution of dividend. However group contributions are allowed. Sunborn London Oyj was established in the demerger of Sunborn International Oy on April 30, 2016. The group contribution recognised directly to equity amounted to EUR 2.412 (2017: EUR 2.250) thousand and was recognised as a liability in 2018.

## 12. 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 and group contribution.

| EUR thousand | **31 Dec 2018** | **31 Dec 2017** |
|---|---|---|
| Trade payables to group companies | 5 | 5 |
| Other payables to group companies | - | 144 |
| **Total** | **5** | **149** |

## 13. Borrowings

| EUR thousand | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Non-current: | | |
| Senior secured bond | 29 625 | 30 114 |
| Current: | | |
| Senior secured bond | 672 | 608 |
| **Total** | **30 297** | **30 722** |

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

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

*Collaterals and guarantees given*

The bonds are secured by a 1st lien mortgage in the Yacht hotel and the cash collateral discussed above. Moreover, the 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 11 Equity.

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

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

## 14. Related parties

### Transactions with related parties

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

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

| EUR thousand | 1 Jan - 31 Dec 2018<br>Rental income from the operating lease | Manage-ment fee | Interest income | 1 Jan - 31 Dec 2017<br>Rental income from the operating lease | Manage-ment fee | Interest income |
|---|---|---|---|---|---|---|
| Parent - Sunborn Oy | - | -48 | 1 559 | - | -48 | 1 559 |
| Sunborn International (UK) Ltd | 2 913 | - | - | 2 941 | - | - |
| **Total** | **2 913** | **-48** | **1 559** | **2 941** | **-48** | **1 559** |

| EUR thousand | 31 Dec 2018<br>Receivables | Liabilities | 31 Dec 2017<br>Receivables | Liabilities |
|---|---|---|---|---|
| Parent - Sunborn Oy | 24 565 | 5 | 25 418 | 5 |
| Sunborn International Oy | 180 | - | 24 | - |
| Saga Trade Finland Oy | - | - | - | 144 |
| Sunborn International (UK) Ltd | 3 123 | - | 3 404 | - |
| **Total** | **27 868** | **5** | **28 846** | **149** |

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

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

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

The lease receivables from Sunborn UK amounted to approximately EUR 3.1 million on 31.12.2018 (EUR 3.4 million on 31.12.2017).

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

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

## 15. Events after the balance sheet date

Nothing to report.

**INCOME STATEMENT (FAS)**

| | | 1.1. - 31.12.2018 | | 1.1. - 31.12.2017 |
|---|---|---|---|---|
| TURNOVER | | 2 912 934,85 | | 2 941 480,73 |
| Depreciation | | 909 046,32 | | 909 046,32 |
| Other operating charges | | 212 299,34 | | 312 383,04 |
| | | ============ | | ============ |
| EBITA | | 1 791 589 | | 1 720 051 |
| Financial income and expenses | | | | |
| Interest income and financial income | 1 558 890,00 | | 1 558 892,53 | |
| Interest expenses and financial expenses | -1 846 334,20 | -287 444,20 | -1 937 478,14 | -378 585,61 |
| | | ============ | | ============ |
| PROFIT BEFORE ADJUSTMENT ITEMS AND TAXES | | 1 504 144,99 | | 1 341 465,76 |
| Adjustment items | | | | |
| Group contribution | | -2 412 000,00 | | -2 250 000,00 |
| Increase (-) or decrease (+) in depreciation difference | | 909 046,32 | | 909 046,32 |
| Income taxes | | 0,00 | | 302,15 |
| | | ============ | | ============ |
| PROFIT FOR THE PERIOD | | 1 191,31 | | 814,23 |

**BALANCE SHEET (FAS)**

| ASSETS | 31.12.2018 | | 31.12.2017 | |
|---|---|---|---|---|
| FIXED ASSETS | | | | |
| Tangible assets | | | | |
| Machinary and equipment | 10 810 206,18 | | 11 719 252,50 | |
| Construction in process | 261 205,30 | 11 071 411,48 | 261 205,30 | 11 980 457,80 |
| Investments | | | | |
| Shares | | 2 500,00 | | 0,00 |
| CURRENT ASSETS | | | | |
| Receivables | | | | |
| Receivables from Group companies | 24 744 897,54 | | 25 441 964,79 | |
| Other receivables | 879 995,95 | 25 624 893,49 | 879 995,95 | 26 321 960,74 |
| Current receivables | | | | |
| Receivables from Group companies | 3 122 881,36 | | 3 403 852,44 | |
| Other receivables | 6 399,53 | | 6 985,21 | |
| Prepaid expenses and accrued income | 7 460,00 | 3 136 740,89 | 0,00 | 3 410 837,65 |
| Cash and bank receivables | | 419 130,76 | | 228 537,81 |
| | | ============= | | ============= |
| TOTAL ASSETS | | 40 254 676,62 | | 41 941 794,00 |

| LIABILITIES | 31.12.2018 | | 31.12.2017 | |
|---|---|---|---|---|
| SHAREHOLDERS' EQUITY | | | | |
| Share capital | 80 000,00 | | 80 000,00 | |
| Reserve for invested non-restricted equity | 600 000,00 | | 600 000,00 | |
| Retained earnings | 2 022,85 | | 1 208,62 | |
| Profit for the period | 1 191,31 | 683 214,16 | 814,23 | 682 022,85 |
| APPROPRIATIONS | | | | |
| Accumulated depreciation difference | | 8 707 962,49 | | 9 617 008,81 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Bonds | | 30 160 000,00 | | 30 832 000,00 |
| Current liabilities | | | | |
| Bonds | 672 000,00 | | 608 000,00 | |
| Debt to group companies | 7 509,60 | | 149 009,60 | |
| Accounts payable | 438,15 | | 450,57 | |
| Accrued liabilities and deffered income | 23 552,22 | 703 499,97 | 53 302,17 | 810 762,34 |
| | | ============= | | ============= |
| TOTAL LIABILITIES | | 40 254 676,62 | | 41 941 794,00 |

# NOTES TO THE FINANCIAL STATEMENTS (FAS)

## 1. ACCOUNTING PRINCIPLES

The accounting period of the company is a calendar year.

*Valuation principles for fixed assets*

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

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

*Receivables and liabilities denominated in foreign currency*

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

*Consolidated Financial Statements*

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

## 2. DEPRECIATON AND DEPRECIATION DIFFERENCE

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

## 3. OTHER OPERATING EXPENSES

| | 2018 | 2017 |
|---|---|---|
| Administrative expenses | 76 007,65 | 87 949,84 |
| Maintenance expenses | 0,00 | 14 195,09 |
| Insurance expenses | 104 254,27 | 118 301,85 |
| Other expenses | 32 037,42 | 91 936,26 |
| Total | 212 299,34 | 312 383,04 |

## 4. AUDITOR'S FEES

| | 2018 | 2017 |
|---|---|---|
| Pricewaterhousecoopers Oy | | |
| Audit fees | 15 650,00 | 81 330,36 |
| Tax advice | 4 745,10 | 4 125,50 |

## 5. FINANCIAL INCOME AND EXPENSES

| | 2018 | 2017 |
|---|---|---|
| Financial income | | |
| Interest income from group companies | 1 558 886,03 | 1 558 886,03 |
| Other financial income | 3,97 | 6,50 |
| Total | 1 558 890,00 | 1 558 892,53 |
| | | |
| Financial expenses | | |
| Interest expenses | 1 744 325,67 | 1 776 345,76 |
| Other financial expenses | 102 008,53 | 161 132,38 |
| Total | 1 846 334,20 | 1 937 478,14 |
| | | |
| Financial income and expenses total | -287 444,20 | -378 585,61 |

## 6. GROUP CONTRIBUTIONS

| | 2018 | 2017 |
|---|---|---|
| Paid group contributions | 2 412 000,00 | 2 250 000,00 |

## 7. CHANGES IN FIXED ASSETS

| Tangible assets: | 2018 | 2017 |
|---|---|---|
| Machinery and equipment | | |
| Acquisition cost 1 Jan | 24 217 754,42 | 24 217 754,42 |
| Accumulated depreciation 1 Jan | 12 498 501,92 | 11 589 455,60 |
| Depreciation during the financial year | 909 046,32 | 909 046,32 |
| Accumulated depreciation 31 Dec | 13 407 548,24 | 12 498 501,92 |
| Book value 31 Dec | 10 810 206,18 | 11 719 252,50 |
| | | |
| Construction in process | | |
| Acquisition cost 1 Jan | 261 205,30 | 261 205,30 |
| Acquisition cost 31 Dec | 261 205,30 | 261 205,30 |
| | | |
| Accumulated depreciation difference | | |
| Machinery and equipment | 8 707 962,49 | 9 617 008,81 |

## 8. INVESTMENTS

| Name | Holding % | Domicile |
|---|---|---|
| Sunborn London Admin Oy | 100 % | Turku |

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

## 9. INTERCOMPANY BALANCES

| | | 2018 | 2017 |
|---|---|---|---|
| Long-term receivables | | 24 744 897,54 | 25 441 964,79 |
| Short-term receivables | | | |
| Accounts receivable | | 3 122 881,36 | 3 403 852,44 |
| | Total | 27 867 778,90 | 28 845 817,23 |
| | | | |
| Short-term liabilities | | | |
| Accounts payable | | 5 009,60 | 5 009,60 |
| Other liabilities | | 2 500,00 | 144 000,00 |
| | Total | 7 509,60 | 149 009,60 |

## 10. SHAREHOLDERS' EQUITY

| | 2018 | 2017 |
|---|---|---|
| Shareholders´ equity | | |
| Share capital 1 Jan | 80 000,00 | 2 500,00 |
| Additions | 0,00 | 77 500,00 |
| Share capital 31 Dec | 80 000,00 | 80 000,00 |
| | | |
| Reserve for invested non-restricted equity 1 Jan | 600 000,00 | 600 000,00 |
| Reserve for invested non-restricted equity 31 Dec | 600 000,00 | 600 000,00 |
| | | |
| Retained earnings 1 Jan | 2 022,85 | 1 208,62 |
| Profit for the period 31 Dec | 1 191,31 | 814,23 |
| | | |
| Total shareholders' equity | 683 214,16 | 682 022,85 |

| Distributable assets 31 Dec | | |
|---|---|---|
| Reserve for invested non-restricted equity | 600 000,00 | 600 000,00 |
| Retained earnings | 2 022,85 | 1 208,62 |
| Profit for the period | 1 191,31 | 814,23 |
| | 603 214,16 | 602 022,85 |

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

| **11. ACCRUED EXPENSES** | 2018 | 2017 |
|---|---|---|
| Interest accrual | 23 552,22 | 24 016,67 |
| Other (invoices accrual) | 0,00 | 29 285,50 |
| Total | 23 552,22 | 53 302,17 |

| **12. COLLATERALS AND CONTINGENT LIABILITIES** | 2018 | 2017 |
|---|---|---|
| Bonds | 30 832 000,00 | 31 440 000,00 |
| Mortgages | 40 000 000,00 | 40 000 000,00 |
| Floating charge | 41 600 000,00 | 41 600 000,00 |
| Pledged bank accounts | 1 292 032,81 | 1 101 439,86 |
| Pledged internal receivables | 27 867 778,90 | 28 845 817,23 |

# *Auditor's Report (Translation of the Finnish Original)*

To the Annual General Meeting of Sunborn London Oyj

## *Report on the Audit of the Financial Statements*

### *Opinion*

In our opinion

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

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

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

**What we have audited**

We have audited the financial statements of Sunborn London Oyj (business identity code 2726819-7) for the year ended 31 December 2018. The financial statements comprise:

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

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

### *Basis for Opinion*

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

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

**Independence**

We are independent of the parent company and of the group companies 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 parent company and to the group companies 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 group materiality: 71 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 group materiality for the consolidated 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 group materiality*** | 71 thousand euros |
| ***How we determined it*** | 2,5 % of company profit before interest, taxes and depreciation. |
| ***Rationale for the materiality benchmark applied*** | *We chose profit before interest, taxes and depreciation as the benchmark because in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 2,5 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.* |

**How we tailored our group audit scope**

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

We have audited the financial statement of the parent company and the consolidated financial statements. The subsidiary is not material component.

## *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 group** | **How our audit addressed the key audit matter** |
|---|---|
| *Revenue recognition*<br>*Refer to Accounting policies and note 5*<br>Revenue consists of rental income from lease contract. Rental income is booked as a revenue as straight-line basis based on the lease contract. 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.<br>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*<br>*Refer to Accounting policies and note 9*<br>Company´s investment property consist of Yacht hotel. | We reviewed the company´s process and control environment for investment property.<br>We assessed the management´s ability to make assumptions and estimations when assessing the recoverable amount of investment property. In our assessment, we focused on cash flow forecast, useful lifetime of investment property and to the discount rate. |

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

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. 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 parent company's and the group'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 parent company or the group 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 parent company's or the group'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 parent company's or the group'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 parent company or the group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 2019

**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 2018

## COMPANY NUMBER 03843168

# CONTENTS OF THE FINANCIAL STATEMENTS

**SUNBORN INTERNATIONAL (UK) LIMITED**

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

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

# REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

## PRINCIPAL ACTIVITY

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

## DIRECTORS

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

Pekka Niemi
Hans Niemi

## DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018 (2017: £nil).

## GOING CONCERN

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

## NON ADJUSTING EVENTS AFTER THE FINANCIAL PERIOD

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

## FINANCIAL INSTRUMENTS

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

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

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

## AUDITOR

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

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018 (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 26.4.2019............... and signed on its behalf by:

H Niemi
Director

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

**Opinion**

We have audited the financial statements of Sunborn International UK Limited for the year ended 31 December 2018 which comprise: the statement of comprehensive income; statements of financial position; statement of changes in equity; statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018, 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 2018 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

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

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

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

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

**Use of the audit report**

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

**Ransford Agyei-Boamah** (Senior Statutory Auditor)
For and on behalf of Harmer Slater Limited, Statutory Auditor
Salatin House
19 Cedar Road
Sutton
Surrey
SM2 5DA
26/04/2019

## STATEMENT OF COMPREHENSIVE INCOME

**For the year ended 31 December 2018**

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Continuing operations** | | £ | £ |
| Revenue | | 2,640,000 | 2,640,000 |
| Cost of sales | | (2,580,000) | (2,580,000) |
| Gross profit | | 60,000 | 60,000 |
| Administrative expenses | | (147,104) | (142,880) |
| Operating loss | 3 | (87,104) | (82,880) |
| Loss before tax | | (87,104) | (82,880) |
| Income tax expense | 5 | - | - |
| **Loss for the year attributable to the shareholder** | | (87,104) | (82,880) |
| **Total comprehensive loss for the year attributable to the shareholder** | | (87,104) | (82,880) |

**Loss per share**

| | | 2018 | 2017 |
|---|---|---|---|
| | | £ | £ |
| Basic and diluted loss per share | 6 | (0.58) | (0.55) |

**SUNBORN INTERNATIONAL (UK) LIMITED**

## STATEMENT OF FINANCIAL POSITION

**As at 31 December 2018**

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 7 | 788,349 | 919,740 |
| Total non-current assets | | 788,349 | 919,740 |
| Trade and other receivables | 8 | 1,159,709 | 1,309,319 |
| Cash and cash equivalents | 9 | 8,939 | 39,336 |
| Total current assets | | 1,168,648 | 1,348,655 |
| Total assets | | 1,956,997 | 2,268,395 |
| **Equity attributable to the shareholder** | | | |
| Issued capital | 10 | 150,000 | 150,000 |
| Accumulated losses | | (1,123,829) | (1,036,725) |
| Total equity | | (973,829) | (886,725) |
| **Liabilities** | | | |
| Trade and other payables | 11 | 2,930,826 | 3,155,120 |
| Total current liabilities | | 2,930,826 | 3,155,120 |
| Total liabilities | | 2,930,826 | 3,155,120 |
| Total equity and liabilities | | 1,956,997 | 2,268,395 |

ON BEHALF OF THE BOARD:

**H Niemi**
Director
Approved and authorised for issue by the Board on 25-4.2019.

## SUNBORN INTERNATIONAL (UK) LIMITED

### STATEMENT OF CHANGES IN EQUITY

| | Share capital | Retained Earnings | Total |
|---|---|---|---|
| | £ | £ | £ |
| Balance at 1 January 2017 | 150,000 | (953,845) | (803,845) |
| **Comprehensive income** | | | |
| Loss for the year | - | (82,880) | (82,880) |
| Total comprehensive income for the year | - | (82,880) | (82,880) |
| Balance at 31 December 2017 | 150,000 | (1,036,725) | (886,725) |
| Balance at 1 January 2018 | 150,000 | (1,036,725) | (886,725) |
| **Comprehensive income** | | | |
| Loss for the year | - | (87,104) | (87,104) |
| Total comprehensive income for the year | - | (87,104) | (87,104) |
| Balance at 31 December 2018 | 150,000 | (1,123,829) | (973,829) |

## SUNBORN INTERNATIONAL (UK) LIMITED

STATEMENTS OF CASH FLOWS

**For the Year Ended 31 December 2018**

| | 2018 £ | 2017 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Operating loss | (87,104) | (82,880) |
| Depreciation | 131,391 | 131,391 |
| (Increase)/decrease in receivables | (149,610) | 7,600 |
| (Decrease)/increase in payables | 224,294 | (22,212) |
| **Net cash utilised in operating activities** | (30,397) | 33,899 |
| | | |
| Net increase in cash and cash equivalents | (30,397) | 33,899 |
| Cash and cash equivalents at beginning of period | 39,336 | 5,437 |
| **Cash and cash equivalents at end of period** | 8,939 | 39,336 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Nature of operation and going concern

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

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

## 2. Significant accounting policies

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

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

The company has not adopted any Standards or Interpretations in advance of the required implementation dates. It is not expected that adoption of Standards or Interpretations which have been issued by the IASB but are not yet effective (except for IFRS 16) will have a material impact on the financial statements.

IFRS 16 will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. As at the reporting date, the company has non-cancellable operating lease commitments of £28.4M, see note 13. The company uses the simplified transition method and expects to recognise right-of-use assets of approximately £20.0M on 1 January 2019 and lease liabilities of £20.0M on 1 January 2019. The company has assessed that the sub lease for the yacht hotel is classified as a finance lease and it recognises a receivable for the net investment in a lease amounting to £20.4M from it, on the other hand derecognising the right of use asset for the yacht hotel.

The company expects that net profit after tax will increase by approximately £0.3M for 2019 as a result of adopting the new rules.

The company will apply the standard from its mandatory adoption date of 1 January 2019. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

**Basis of preparation**

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

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

**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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Tax - continued**

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

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

**Property, plant and equipment**

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

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

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

**Trade and other receivables**

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business.

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

**Cash and cash equivalents**

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

**Trade and other payable**

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

Payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

## 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: | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Depreciation of owned assets | 131,391 | 131,391 |
| **Auditor's remuneration:** | | |
| Audit of these financial statements | 3,300 | 3,300 |

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:

| | 2018 | 2017 |
|---|---|---|
| Directors | 2 | 2 |

No remuneration was paid to the directors during the year (2017 - £nil). They are remunerated by other group undertakings.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Income tax expense

**Recognised in the income statement**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Current tax expense** | | |
| Current year | - | - |

| **Reconciliation of effective tax rate** | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Loss before tax | (87,104) | (82,880) |
| Income tax using the UK corporation tax rate of 19% (2017: 19.25%) | (16,550) | (15,954) |
| Depreciation in excess of capital allowances | 11,400 | 8,533 |
| Unrelieved tax losses carried forward | 5,150 | 7,421 |
| Income tax charge | - | - |

The company has unrelieved tax losses of £1,451,418 (2017 - £1,424,314) carried forward at 31 December 2018. These unrelieved tax losses are available for tax utilisation against future trading profits. No deferred tax asset is recognised in the Statement of Financial Position.

### 6. Earnings per share

**Basic earnings per share**

The calculation of basic earnings per share at 31 December 2018 was based on the loss attributable to ordinary shareholders of £87,104 (2017: £82,880) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2018 of £150,000 (2017: £150,000) calculated as follows:

**Profit attributable to ordinary shareholders**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Loss for the period | (87,104) | (82,880) |
| Loss attributable to ordinary shareholders | (87,104) | (82,880) |

**Weighted average number of ordinary shares**

| | 2018 | 2017 |
|---|---|---|
| | Number | 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 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. Earnings per share (continued)

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Earnings per share | (0.58) | (0.55) |

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

### 7. Property, plant and equipment

| | Improvements to property |
|---|---|
| | £ |
| **Cost** | |
| Balance at 1 January 2017 | 1,313,913 |
| Balance at 31 December 2017 | 1,313,913 |
| | |
| Balance at 1 January 2018 | 1,313,913 |
| Balance at 31 December 2018 | 1,313,913 |
| | |
| **Depreciation** | |
| Balance at 1 January 2017 | 262,782 |
| Depreciation charge for the period | 131,391 |
| Balance at 31 December 2017 | 394,173 |
| | |
| Balance at 1 January 2018 | 394,173 |
| Depreciation charge for the period | 131,391 |
| Balance at 31 December 2018 | 525,564 |
| | |
| **Net book value** | |
| At 31 December 2017 | 919,740 |
| At 31 December 2018 | 788,349 |

### 8. Trade and other receivables

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Amounts due from group undertakings | 1,126,764 | 1,091,174 |
| Other receivables | 32,945 | 218,145 |
| | 1,159,709 | 1,309,319 |

## 9. Cash and cash equivalents

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Bank balances | 8,939 | 39,336 |
| Cash and cash equivalents | 8,939 | 39,336 |

## 10. Capital and reserves

### Share capital

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | 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:

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Cash and cash equivalents | 8,939 | 39,336 |
| Net debt | 8,939 | 39,336 |
| Equity | (973,829) | (886,725) |
| Total capital | (964,890) | (847,389) |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Trade and other payables

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Trade payables | 1,022 | 591 |
| Amounts owed to group undertakings | 2,793,121 | 3,020,000 |
| Other payables | 131,733 | 131,429 |
| Accruals | 4,950 | 3,100 |
| | 2,930,826 | 3,155,120 |

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

### 12. Commitments and contingent liabilities

As at 26 September 2016 Sunborn London Oy issued a senior secured bond of 32 million euros to certain qualified institutional investors in order to finance the existing debt of Sunborn International (UK) Ltd.

In 2016, Sunborn International (UK) Ltd issued an unconditional and irrevocable Norwegian law on-demand guarantee. This is to guarantee to the institutional investors the punctual performance by Sunborn London Oy under the bond terms.

### 13. Operating leases

The company has leased a yacht hotel "Sunborn London" from its sister company Sunborn London Oy under operating lease terms. The total of future minimum lease payments is as follows:

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Not later than one year | 2,580,000 | 2,580,000 |
| Later than one year and not later than five years | 10,320,000 | 10,320,000 |
| Over five years | 15,480,000 | 18,060,000 |
| | 28,380,000 | 30,960,000 |

The lease agreement for mooring 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. The commitments under the mooring and docking leases are matched by a commitment by the Operator, ISS Facility Services Limited over the same lease period.

The lease agreements do not include purchase options and do not impose restrictions on the company, such as those concerning dividends and additional debt.

### 14. Financial instruments

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. Financial instruments (continued)

The company held the following categories of financial instruments at 31 December 2018:

| | 2018 £ | 2017 £ |
|---|---|---|
| **Financial assets** | | |
| **Loans and receivables:** | | |
| Amounts owed by group undertakings | 1,126,764 | 1,091,174 |
| Other receivables | 32,945 | 218,145 |
| Cash at bank | 8,939 | 39,336 |
| Total financial assets | 1,168,648 | 1,348,655 |

| **Liabilities at amortised cost or equivalent:** | 2018 £ | 2017 £ |
|---|---|---|
| Trade payables | (1,022) | (591) |
| Amount owed to group undertakings | (2,793,121) | (3,020,000) |
| Other payables | (131,733) | (131,429) |
| Accruals and deferred income | (4,950) | (3,100) |
| Loans and borrowings | | |
| Total financial liabilities | (2,930,826) | (3,155,120) |

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.

**15. Financial instruments (continued)**

**Market risk**

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

**Interest rate risk**

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

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

**Fair values**

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

**Classes of financial instruments**

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

**16. 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 2018 amounted to £2,580,000 (2017: £2,580,000).

At the year end the company was owed by Sunborn International OY £1,126,374 (2017: £941,174) and owed to Sunborn London OY £2,793,121 (2017: £3,020,000). These amounts are interest free and repayable on demand.

Further related party transactions include £Nil (2017: £150,000) owed by Sunborn Gibraltar, a member of the Sunborn Oy group. This amount is interest free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. 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.

### 18. 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.

### 19. 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.