

SUNBORN LONDON



HALF YEAR FINANCIAL REPORT
1 January – 30 June 2021
20/8/2021

sunborn

HALF YEAR REPORT 1 January - 30 June 2021

Key Figures

EUR thousand	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan - 31 Dec 2020
Rental income	1 341	1 467	2 675
Settlement fee	-	-	4 757
Operating profit	474	638	5 718
Investment property (Yacht hotel)	35 650	37 155	36 402
Total Equity	28 635	29 274	28 479
Borrowings	24 038	29 911	29 307

CEO Hans Niemi

“Hotel operations have been successfully transferred from ISS to Sunborn International (UK) Ltd and H1 has performed largely in line with our budget that from the onset included additional working capital from the ISS Settlement deal to weather out the forecasted impact of Covid 19 in H1. Hotel occupancy rebounded in May after the relaxation of UK restrictions on hospitality. During the period, Sunborn London received 1.34 MEUR (1,47 MEUR in 2019) in lease income from the Operator, Sunborn International UK Ltd. In line with the Amendments to the Bond Terms, Sunborn London made an early bond repayment of 5.0 MEUR on the 17th February 2021. Despite the Covid-19 pandemic the Sunborn London Oyj’s financial performance and debt service capacity is expected to remain stable and the current and future bookings for the Operator are at forecasted levels.”

Financial summary 1 January - 30 June 2021

Sunborn London Oyj (“The Company”) continued to be a SPV with no other purpose than owning and leasing out the Sunborn London yacht hotel. The yacht hotel is leased out to Sunborn International (UK) Ltd, a sister company to the Company, through a bareboat charter agreement with a fixed sum of GBP 195,000 per month in lease.

Due to an announced strategic decision by previous management partner ISS Facility Services to withdraw from UK hotel operations, Sunborn International (UK) Ltd took over the operating responsibilities from ISS after a 3 months’ transition period beginning on the 31st December 2020.

Rental Income for the reporting period was in line with the renewed bareboat charter agreement 1.34 MEUR (1.47 MEUR).

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

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

Sunborn London Oyj is in process of negotiating various options for refinancing of the bond prior to original maturity.

Operator Financial summary 1 January – 30 June 2021

Management had prepared a transition plan and budget including the impact of the UK Covid restrictions on hotel operations announced and in force until mid-May. During this time, Sunborn London maintained some business and played a role in the government Covid relief efforts from the Nightingale hospital in the Excel exhibition centre producing some revenue streams. Management continued to reduce costs and took advantage of the government Furlough scheme to retain our workforce, keep the operation running and prepare for the eventual lifting of restrictions. During this time, the staffing level was reduced by circa 80 %. Despite the challenging business environment, management was able to secure a cumulative 32 % EBITDA for the period H1 2021.

UK Hotels opened to the general public on the 17th of May. From this point forward, occupancy picked up immediately. The trend continued into the summer with June growing up to 60% occupancy (+24 % more than the local competitive set of hotels and +19 % over the London average). As a show of the strong market position of the Sunborn, RevPar exceeded the London city average by +56% and local comp set by +61 %. The local comp set is comprised of the four largest global hotel companies: Marriott, IHG, Hilton and Accor.

The future of 2021 looks positive with the first two months of H2 experiencing high occupancy and a considerably high ratio of food & beverage revenue with respect to overall revenue at approximately 35-45 %. The occupancy trend remains primarily leisure however the Excel centre is generating events during the autumn months starting in September. Management is already receiving pre-bookings for corporate business travel in the latter end of the year as well as Christmas events.

The hotel maintains high levels of Guest satisfaction ratings reflected by Trip Advisor ranking of 299 out of 1,133, Booking.com rating of 8.7/10, Hotels.com rating of 8.6/10 and Expedia.com of 4.4/5 during the period.

Notable events during and after the end of the reporting period

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

UK Hotels opened to the general public on the 17th of May. Current occupancy after the reporting period has continued in positive levels. The Company is in process of negotiating various options for refinancing of the outstanding bond prior to original maturity.

Estimated future development

The management has, prior to entering into the Settlement agreement, carefully planned the future business operations including the expected impact and continuation of pandemic restrictions on the hotel's operations and ability to pay rent. Despite the obvious challenges of the pandemic, management believes the property will continue successful operations under the current management and the hotel to be placed in an excellent location, benefitting from the ongoing and continued growth and development of the Royal Docks area and the Excel center. Sunborn UK has transferred all the existing hotel staff and management from ISS and has identified synergies in sales, marketing and costs with other Sunborn properties, expecting to improve overall stabilized EBITDA once the normal trading conditions are restored. Management considers Sunborn UK to have sufficient working capital to weather out the current lockdowns and market conditions have improved during the summer months. Despite the Covid-19 pandemic the Sunborn London Oyj's financial performance and debt service capacity is expected to remain stable.

Short-term risks and uncertainties

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

The Covid -19 outbreak has severely and negatively affecting the tourism market globally. Prolonged Covid -19 restrictions could further impact the Company's business through continued negative impact on the operator. Prolonged crisis could also in the long term impact the fair value of the yacht hotel the Company holds as investment property.

The Company's bond is maturing for repayment on 29th September 2020. Management views the current high yield market conditions to be less favorable due to the higher industry risk and ongoing pandemic risk but financing to be available subject to terms and conditions. When the Bond Terms were amended, the bond was remeasured by discounting the amended cash flows using the original effective interest rate. The management has applied significant judgement in estimating the contractual cash flows. The management has assessed that it will not use the extension option and will repay the bond at its original maturity date.

The company management considers the ISS Settlement to have improved the credit metrics of the Issuer, lowering the loan to value and interest payment cover ratio, however also removing a long-term third-party lease agreement, which may impact the terms and conditions and availability of certain types of financing. Prior to the early 5 MEUR repayment of the loan, senior secured bank financing was outside expected parameters, but with the current lowered outstanding bond amount at 24.4 MEUR, there are more financing options available including bank debt, sale and lease-back, senior secure bond, private placement and structured financing. On 29th December 2020 the bondholders approved the amendment of the Bond Terms and the company has options to extend the bond maturity by 6 months or alternatively until 5th September 2022, however management is currently implementing a strategy of a full refinancing of the bond prior to original maturity and will assessing the likely success and uncertainty over the coming months.

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

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan - 31 Dec 2020
Rental income from group companies	3, 7	1 341	1 467	2 675
Other operating income		64	64	4 886
Depreciation	4	-752	-752	-1 505
Other operating expenses		-179	-141	-339
Operating profit		474	638	5 718
Finance income	7	864	779	1 579
Finance costs		-1 094	-1 235	-2 082
Finance income and costs, net		-231	-456	-503
Profit before taxes		243	182	5 214
Income tax expense		-115	-103	-0
Change in deferred tax		67	66	-1 043
Profit for the period		195	145	4 171
Total comprehensive income for the period		195	145	4 171

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

CONSOLIDATED BALANCE SHEET (IFRS)

EUR thousand	Note	30 Jun 2021	31 Dec 2020	30 Jun 2020
Assets				
Non-current assets				
Investment property	4	35 650	36 402	37 155
Receivables from group companies	7	20 381	19 777	25 071
Cash collateral	6	-	880	880
Total non-current assets		56 031	57 060	63 106
Current assets				
Trade receivables from group companies	7	3 227	3 191	3 201
Trade and other receivables		17	21	16
Cash collateral	6	880	-	-
Cash and cash equivalents		98	5 501	486
Total current assets		4 222	8 713	3 703
Total assets		60 253	65 773	66 809
Equity and liabilities				
Share capital	5	80	80	80
Reserve for invested unrestricted equity		600	600	600
Retained earnings		27 955	27 761	28 594
Total equity		28 635	28 441	29 274
Liabilities				
Non-current liabilities				
Borrowings	6	-	-	29 207
Deferred income		257	257	385
Deferred income tax liabilities		6 851	6 918	7 024
Total non-current liabilities		7 108	7 175	36 616
Current liabilities				
Trade and other payables		269	10	8
Payables to group companies	7	15	50	22
Borrowings	6	24 038	29 307	704
Deferred income		64	128	64
Accrued expenses		123	663	121
Total current liabilities		24 509	30 158	919
Total liabilities		31 618	37 333	37 535
Total equity and liabilities		60 253	65 773	66 809

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 1.1.2020	80	600	28 448	29 128
Profit for the period			145	145
Total comprehensive income	0	0	145	145
Equity at 30.6.2020	80	600	28 594	29 274
Equity at 1.7.2020	80	600	28 594	29 274
Profit for the period			4 026	4 026
Total comprehensive income	0	0	4 026	4 026
Transactions with owner:				
Group contribution			-4 858	-4 858
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	0	-4 858	-4 858
Equity at 31.12.2020	80	600	27 761	28 441
Equity at 1.1.2021	80	600	27 761	28 441
Profit for the period			195	195
Total comprehensive income	0	0	195	195
Equity at 30.6.2021	80	600	27 955	28 635

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

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR thousand	Note	1 Jan – 30 Jun 2021	1 Jan – 30 Jun 2020	1 Jan – 31 Dec 2020
Cash flows from operating activities				
Profit before tax		419	182	5 214
Adjustments for				
Amortisation of deferred income	4	-64	-164	-128
Depreciation	4	752	752	1 505
Finance income and costs, net		554	456	503
Change of working capital				
Change in trade and other receivables		-636	81	86
Change in trade and other payables		160	4	674
Net cash flows from operating activities		686	1 412	7 854
Cash used in investing activities				
Loans given to related party	7	-	-	-
Net cash flows used in investing activities		-	-	-
Cash flows from financing activities				
Repayment of borrowings		-5 368	-	-704
Contribution from/to Sunborn group companies	7	-	-130	-130
Transaction / loan agent costs		-7	-2	-9
Interest and finance costs paid		-714	-852	-1 681
Net cash flows from financing activities		-6 089	-985	-2 525
Cash and cash equivalents at the beginning of period		5 501	348	348
Effects of exchange rate changes on cash and cash equivalents		0	-288	-176
Change in cash and cash equivalents		-5 403	138	5 153
Cash and cash equivalents at the end of period		98	486	5 501

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Sunborn London Oyj is a public limited liability company (“the Company”) incorporated in Finland. The registered address of Sunborn London Oyj is Juhana Herttuan puistokatu 23, Turku, Finland. Sunborn London Oyj was established on April 30, 2016 through a demerger of Sunborn International Oy. Sunborn London Oyj owns a luxury yacht hotel “Sunborn London” docked at ‘at Royal Victoria Dock in London (“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 has been run by management company ISS Facility Services Ltd (“ISS”) in accordance with a management services contract between ISS and Sunborn UK until the end of 2020. In the beginning of the year Sunborn UK took over the operations after the transition from ISS management.

The Yacht hotel is equipped with 138 cabins, including 5 suites, conference and auditorium facilities for up to 100 delegates, restaurant and two bars. The Company had no employees in 2021 and 2020. Sunborn London Oyj’s ultimate parent company Sunborn Oy provides management and administrative services to the Company. Until the end of 2020 Sunborn UK’s sole operations consisted of acting as the lessee and lessor of the Yacht hotel. Since 2021 Sunborn UK’s sole operations consist of acting as the lessee and operator of the Yacht hotel.

On 30th April, 2020, Sunborn Oy transferred its ownership in the Company to a newly established company Sunborn International Holding Oy, which thus became a new parent company of Sunborn London Oyj owning 100 % of the shares of the Company, as well as Sunborn International UK. Sunborn International Holding Oy is a family-owned company based in Finland. Sunborn Group focuses on the development of luxury spa and yacht hotels, restaurants and other high-quality property, and has more than 40 years of experience in the hospitality sector.

2. Summary of significant accounting policies

Basis of preparation

This half year financial report for six months ended 30 June 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS), *IAS 34 interim Financial Reporting*, as adopted by the European Union. The half year financial report is based on the same accounting policies and calculation methods as used in the financial statements for the year 2020, as well as on the new and updated IFRS standards described in the financial statements for the year 2020. However, the half year financial report does not include all the information and notes that are presented in the annual financial statements. As such the half year financial report should be read in conjunction with the financial statements for the year ended 31 December 2020.

The preparation of the half year financial report in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The actual outcomes may differ from these estimates and judgments. The most significant estimates made by the management relating to the accounting policies and uncertainties are the same as applied in the financial statements for the year 2020.

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

The half year financial report is unaudited.

Going concern and liquidity risk

The Company's financial risks related to business are market risk including interest rate risk and foreign currency risk, credit risk, liquidity risk and refinancing risk. The current Covid-19 outbreak impacts negatively London hotel market and Sunborn London's credit risk and liquidity risk through operator being able to continue operating the hotel, meet its commitments under the Bareboat Charter agreement and Sunborn London Oyj to pay the interest and other payments related to bond.

The Company's bond is maturing for repayment on 29th September 2020. Management views the current high yield market conditions to be less favorable due to the higher industry risk and ongoing pandemic risk but financing to be available subject to terms and conditions. When the Bond Terms were amended, the bond was remeasured by discounting the amended cash flows using the original effective interest rate. The management has applied significant judgement in estimating the contractual cash flows. The management has assessed that it will not use the extension option and will repay the bond at its original maturity date.

The company management considers the ISS Settlement to have improved the credit metrics of the Issuer, lowering LTV and interest payment cover ratio, however also removing a long-term third-party lease agreement, which may impact the terms and conditions and availability of certain types of financing. Prior to the early 5 MEUR repayment of the loan, senior secured bank financing was outside expected parameters, but with the current lowered outstanding bond amount at 24.4 MEUR, there are more financing options available including bank debt, sale and lease-back, senior secure bond, private placement and structured financing. On 29th December 2020 the bondholders approved the amendment of the Bond Terms and the company has options to extend the bond maturity by 6 months or alternatively until 5th September 2022, however management is currently implementing a strategy of a full refinancing of the bond prior to original maturity and will assessing the likely success and uncertainty over the coming months. Details of amended terms and conditions of the bond are available on <https://new.stamdata.com/app/issue/NO0010775141>

3. Rental income from related parties and other income

The Group's rental income consists of rental income from Sunborn UK with a fixed sum of GBP 195,000 per month in lease. Bareboat charter agreement is in force until terminated by either party subject to six months' prior notice. In 2019 the period for which the lease payments were presented are based on the term of the contract between ISS and Sunborn UK.

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

EUR thousand	30 Jun 2021	30 Jun 2020	31 Dec 2020
Within 1 year	-	2 828	651
Between 1 and 2 years	-	2 828	-
Between 2 and 3 years	-	2 828	-
Between 3 and 4 years	-	2 828	-
Between 4 and 5 years	-	2 828	-
Later than 5 years	-	10 839	-
Total	-	24 977	651

Sunborn UK has paid in December 2020 in advance the 3 months' lease payments, so the 2020 table above only reflects the lease payments for 3 months 'period. Other income in 2020 relates mostly to the one-time settlement exit fee from Sunborn UK due to the termination of contract with ISS.

4. Investment property

The Group presents as investment property its investment in a Yacht Hotel that is leased out under operating lease and it is operated as Yacht hotel Sunborn London Sunborn International (UK) Ltd. The investment property is carried at cost less any accumulated depreciation and any accumulated losses. Fair value of the yacht hotel as at 30 June 2021 has been estimated to be EUR 35 million (31.12.2020: EUR 37 million). The fair value has been determined based on income approach using discounted cash flow analyses. The fair value measurement is based on unobservable inputs and accordingly, is classified in Level 3 in the fair value hierarchy. The volatility in the fair value is due to the impact of the takeover of the operations from ISS to estimated cash flows and from the fluctuation of the GBP/EUR exchange rate. Fair value of the yacht hotel as at 30, June 2021 approximates the book value of the yacht hotel. The management has considered the impact of Covid-19 in the fair value and continue to carefully monitor any further impact of the Covid-crisis on the fair value and thus possible impairment of the Yacht Hotel.

The Yacht hotel is registered in Finland but located in London, United Kingdom, where it is leased under a Bareboat Charter agreement to Sunborn UK. Sunborn International (UK) Ltd is responsible for the management.

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

Investment property

EUR thousand	Yacht hotel
Cost at January 1, 2020	45 432
Cost at June 30, 2020	45 432
Accumulated depreciation at January 1, 2020	7 525
Depreciation	752
Accumulated depreciation and impairment at June 30, 2020	8 277
Net book value at January 1, 2020	37 907
Net book value at June 30, 2020	37 155
EUR thousand	Yacht hotel
Cost at July1, 2020	45 432
Cost at December 31, 2020	45 432
Accumulated depreciation at July 1, 2020	8 277
Depreciation	752
Accumulated depreciation and impairment at December 31, 2020	9 029
Net book value at July 1, 2020	37 155
Net book value at December 31, 2020	36 402

EUR thousand	Yacht hotel
Cost at January 1, 2021	45 432
Cost at June 30, 2021	45 432
Accumulated depreciation at January 1, 2021	9 029
Depreciation	752
Accumulated depreciation and impairment at June 30, 2020	9 781
Net book value at January 1, 2021	36 402
Net book value at June 30, 2021	35 650

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

EUR thousand	1 Jan – 30 Jun 2021	1 Jan – 30 Jun 2020	1 Jan - 31 Dec 2020
Rental income	1 341	1 467	2 675
Direct operating expenses from property that generated rental income	64	64	121

5. Equity

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

6. Borrowings

EUR thousand	30 Jun 2021	30 Jun 2020	31 Dec 2020
Non-current:			
Senior secured bond	-	29 207	-
Current:			
Senior secured bond	24 038	704	29 307
Total	24 038	29 911	29 307

As at 26 September 2016 the Company issued senior secured bonds with nominal amount of EUR 32 million to certain qualified institutional investors mainly to finance the existing debt of its sister company Sunborn UK in the amount of EUR 23.8 million and to provide additional financing to its parent company Sunborn Oy in the amount of EUR 6.5 million. The amount of EUR 0.88 million equivalent of 6 months interest was deposited in a reserve account in the bank (cash collateral). The remaining proceeds were used for general corporate purposes.

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

- an option to extend the maturity of the bond by 6 months for extension fee of 4% (€0.9M) or up until September 2022 with extension fee of 8% (€1.9 M).
- an interest coverage ratio covenant, which requires the Issuer to generate EBITDA minimum of 1.1 times the net finance charges

- Sunborn International Holding Oy becoming a Guarantor
- the ability to use any government funding programs in the operating company (unsecured) if available with a limit of EUR 2 million.

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

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

Issuer Sunborn London Oyj reports it is in process of negotiating various options for refinancing of the bond prior to original maturity.

Collaterals and guarantees given

The bonds are secured by a 1st lien mortgage in the Yacht hotel and the cash collateral in discussed above. Moreover, the issuer has pledged all cash flows generated by the lease agreement on the Yacht hotel, as well as the loan receivable from the parent company and other intragroup receivables. The normal bank accounts have been pledged to secure the bond repayments; however, they can be used by the Company in the ordinary course of business.

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

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

7. Related parties

Transactions with related parties

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

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

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

EUR thousand	1 Jan – 30 Jun 2021			1 Jan – 30 Jun 2020		
	Rental income from the operating lease	Management fee	Interest income	Rental income from the operating lease	Management fee	Interest income
Ultimate parent - Sunborn Oy	-	-25	-	-	-25	518
Parent - Sunborn International Holding Oy	-	-	603	-	-	261
Sunborn International Oy	-	-12	-	-	-12	-
Sunborn UK	1 341	-	-	1 467	-	-
Total	1 467	-37	603	1 467	-37	779

EUR thousand	1 Jan – 31 Dec 2020		
	Rental income from the operating lease	Management fee	Interest income
Ultimate parent - Sunborn Oy	-	-50	518
Parent - Sunborn International Holding Oy	-	-40	1 041
Sunborn International Oy	-	-24	-
Sunborn UK	7 433	-	-
Total	7 433	-114	1 559

EUR thousand	30 Jun 2021		30 Jun 2020		31 Dec 2020	
	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities
Ultimate parent - Sunborn Oy	-	15	-	756	-	-
Parent - Sunborn International Holding Oy	20 381	-	25 817	-	19 777	50
Sunborn International Oy	-	15	-	12	-	-
Sunborn Saga Oy	-	-	-	-	-	-
Sunborn UK	3 227	-	3 201	-	3 191	-
Total	23 608	30	29 018	769	22 968	50

The rental income arises from the Bareboat Charter agreement related to the Yacht hotel with Sunborn UK. This agreement is in force until terminated by either party subject to six months' prior notice. The Group has paid management fee to Sunborn Oy and Sunborn International Oy and received interest income from Sunborn International Holding Oy. The interest income arises from the loan granted to the parent as described below.

The intercompany receivable from the parent company Sunborn Oy in September 2016, and legally transferred to the new parent company Sunborn International Holding Oy in April 2020. The loan receivable accumulates interest income at 6.1 % p.a. and is recognised as receivable from the parent company. Fair value of the loan receivable approximates its carrying amount, as interest rates have not changed much, and the management estimates that the credit standing of the debtor has not changed significantly from the issue date.

The lease receivables from Sunborn UK amounted to approximately EUR 3.2 million on 30.6.2021 (EUR 3.2 million on 31.12.2020).

Sunborn UK and Sunborn International Holding td have guaranteed the senior secured bonds of the Company. Detailed information on the guarantee is described in note 6 Borrowings.

8. Events after the reporting date

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

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

Appendix 1 Sunborn International (UK) Ltd

Sunborn International (UK) Ltd
HALF-YEAR UNAUDITED REPORT 1 January – 30 June 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR thousand	Note	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan -31 Dec 2020
Revenue	3	1 757	-	5 730
Interest Revenue	3	-	548	1 072
Other income	3	-	57	114
Cost of Sales		-236	-	-
Depreciation	4	-115	-115	-229
Bare boat charter	6	-1 170		-4 745
Other operating expenses		-879	-23	-99
Operating profit		-644	467	1 843
Finance costs		-10	-548	-1 073
Profit before taxes		-654	-81	770
Income tax expense		-	-	-
Change in deferred tax		-	4	79
Profit for the period		-654	-77	851
Total comprehensive income for the period		-654	-77	851

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

BALANCE SHEET

GBP thousand	Note	30 Jun 2021	30 Jun 2020	31 Dec 2020
Assets				
Non-current assets				
Property, plant and equipment	4	390	591	525
Right-of-use assets	4	317	414	366
Total non-current assets		707	1,005	891
Current assets				
Inventories		89	-	-
Amounts due from group companies	6	1,126	1,126	1,126
Trade and other receivables		283	35	618
Lease Receivable	3	-	18,149	-
Cash and cash equivalents		1,147	136	2,787
Total current assets		2,645	19,446	4,531
Total assets		3,352	20,451	5,422
Equity and liabilities				
Share capital		150	150	150
Retained earnings		-725	-999	-71
Total equity		-575	-849	79
Non-current liabilities				
Lease liability to group companies	6	-	16,159	-
Lease liability	5	241	339	291
Total non-current liabilities		241	16,498	291
Current liabilities				
Trade and other payables		787	209	1,387
Payables to group companies	6	2,734	2,921	2,905
Lease liability to group companies	6	-	1,578	-
Lease liability	5	97	92	95
Deferred revenue		-	-	660
Accrued expenses		68	2	5
Total current liabilities		3,686	4,802	5,052
Total liabilities		3,927	21,300	5,343
Total equity and liabilities		3,352	20,451	5,422

STATEMENT OF CHANGES IN EQUITY

GBP thousand	Share Capital	Retained Earnings	Total
Equity at 1.1.2020	150	(922)	(772)
Loss for the year	-	(77)	(77)
Total comprehensive income	-	(77)	(77)
Equity at 30.06.2020	150	(999)	(849)
Equity at 1.7.2020	150	(999)	(849)
Profit for the period	-	928	928
Total comprehensive income	-	928	928
Equity at 31.12.2020	150	(71)	79
Equity at 1.1.2021	150	(71)	79
Loss for the year	-	(654)	(654)
Total comprehensive income	-	(654)	(654)
Equity at 30.06.2021	150	(725)	(575)

STATEMENT OF CASH FLOW

	1 Jan to 30 Jun 2021	1 Jan to 30 Jun 2020	1 Jan to 31 Dec 2020
Cash flows from operating activities			
(Loss)/Profit	(654)	(81)	770
Finance cost	10	548	1,073
Depreciation	115	115	230
Non-cash item – other income	-	(57)	(114)
Non-cash item – lease termination losses	-	-	394
(Increase)/decrease in inventories	(89)	-	-
(Increase)/decrease in receivables	335	-	(583)
(Decrease)/increase in payables	(1,369)	121	2,022
Interest paid in cash	(10)	(535)	(1,048)
Tax paid in cash	-	-	-
Net cash utilised in operating activities	2,744	111	2,744
Cash flows from investing activities			
Acquisition	(15)	-	-
Disposal	85	-	-
Net cash from investing activities	70	-	-
Cash flows from financing activities			
Lease receivables	-	772	1,567
Repayment of lease liabilities	(48)	(755)	(1,532)
Net cash utilised in financing activities	(48)	17	35
Net increase in cash and cash equivalents	(1,640)	128	2,779
Cash and cash equivalents at beginning of period	2,787	8	8
Cash and cash equivalents at end of period	1,147	136	2,787

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Sunborn International (UK) Limited ('the company') is a private company limited by share capital incorporated in England under the Companies Act. Its ultimate parent is Sunborn Oy, an undertaking incorporated in Finland. The registered address of Sunborn International (UK) Limited is 24 Old Queen Street, London, United Kingdom, SW1H 9HP

Sunborn International (UK) Limited ("Sunborn UK") is acting as a charterer for a luxury yacht hotel "Sunborn London" docked at 'at Royal Victoria Dock in London, the UK ("Yacht hotel"), which it is own by its sister company Sunborn London Oyj. The hotel operations of the Yacht hotel Sunborn London was run by management company ISS Facility Services Ltd ("ISS") in accordance with a lease contract between ISS and Sunborn UK International until the end of year 2020. The Yacht hotel is equipped with 138 cabins, including 5 suites, conference and auditorium facilities for up to 100 delegates, restaurant and two bars. Until the end of year 2020 Sunborn UK's sole operations consisted of acting as the lessee and lessor of the Yacht hotel. Since 2021 operations consist of acting as the charterer and operator of the Yacht hotel. On 31st December 2020 ISS agreement was terminated and Sunborn UK took over the operations.

On 30th April, 2020 Sunborn Oy, the ultimate parent company of Sunborn UK and Sunborn London Oyj, transferred its ownerships in both companies to a newly established company Sunborn International Holding Oy, which thus became a new parent company of Sunborn UK owning 100 % of the shares of the Company, as well as Sunborn London Oyj. Sunborn International Holding Oy is a family-owned company based in Finland. Sunborn Group focuses on the development of luxury spa and yacht hotels, restaurants and other high-quality property, and has more than 40 years of experience in the hospitality sector.

2. Summary of significant accounting policies

Basis of preparation

This half year financial report for six months ended 30 June 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 interim Financial Reporting, as adopted by the European Union. The half year financial report is based on the same accounting policies and calculation methods as used in the financial statements for the year 2020, except for as presented below. The half year financial report does not include all the information and notes that are presented in the annual financial statements. As such the half year financial report should be read in conjunction with the financial statements for the year ended 31 December 2020.

The preparation of the half year financial report in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The actual outcomes may differ from these estimates and judgments. The most significant estimates made by the management relating to the accounting policies and uncertainties are the same as applied in the financial statements for the year 2020.

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

The half year financial report is unaudited.

3. Revenue

During the reporting period the company generates revenue from hotel operations.

In 2020 the Company generated interest revenue from the 15 years lease contract with the hotel operator ISS Facility Services Ltd. Before adoption of IFRS 16, the company's revenue consisted of rental income. On 29.12.2020 ISS Facility Services Ltd and Sunborn International (UK) Ltd agreed the termination of the Management Services Agreement in a settlement agreement and Sunborn International (UK) Ltd to take over the operations on 31st December 2020.

Revenue during the year 2020 relates mostly to the one-time settlement exit rental fee (5,73 MGBP) due to the termination of contract with ISS.

Future minimum lease income from the ISS lease contract is as follows (note the Lease terminated 31st December 2020):

GBP thousand	30 Jun 2021	31 Dec 2020	30 Jun 2020
Within 1 year	-	-	2,640
Between 1 and 2 years	-	-	2,640
Between 2 and 3 years	-	-	2,640
Between 3 and 4 years	-	-	2,640
Between 4 and 5 years	-	-	2,640
Later than 5 years	-	-	10,120
	-	-	23,320
Less: unearned interest income	-	-	(5,171)
Lease receivable	-	-	18,149

4. Property, plant and equipment

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

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

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

- Improvements to property 10 years straight line
- Equipment 3 years straight line

GBP thousand	Improvements to property	Right to use asset	Equipment	Total
Cost at January 1, 2020	1,314	561	-	1,875
Addition	-	-	-	-
Cost at June 30, 2020	1,314	561	-	1,875
Accumulated depreciation at January 1, 2020	656	98	-	754
Depreciation	66	49	-	115
Accumulated depreciation and impairment at Jun 30, 2020	722	147	-	869
Net book value at January 1, 2020	658	463	-	1,121
Net book value at June 30, 2020	592	414	-	1,006
Cost at July 1, 2020	1,314	561	-	1,875
Addition	-	-	-	-
Cost at December 31, 2020	1,314	561	-	1,875
Accumulated depreciation at July 1, 2020	722	147	-	869
Depreciation	67	48	-	115
Accumulated depreciation and impairment at Dec 30, 2020	789	195	-	984
Net book value at July 1, 2020	592	414	-	1,005
Net book value at December 31, 2020	525	366	-	891
Cost at January 1, 2021	1,314	561	-	1,875
Addition	-	-	15	15
Disposal	-85	-	-	-85
Cost at June 30, 2021	1,229	561	15	1,805
Accumulated depreciation at January 1, 2020	789	195	-	984
Depreciation	66	48	-	115
Accumulated depreciation and impairment at Jun 30, 2021	855	243	-	1,098
Net book value at January 1, 2021	525	366	-	891
Net book value at June 30, 2021	374	318	15	707

5. Lease liabilities

At 30th June 21 the company is committed to £339K in future lease payments which relate to long-term. The carrying amount of the lease liabilities approximate the fair value.

GBP thousand	30 Jun 2021	31 Dec 2020	30 Jun 2020
Within 1 year	115	115	2,695
Between 1 and 2 years	115	115	2,695
Between 2 and 3 years	115	115	2,695
Between 3 and 4 years	27	85	2,695
Between 4 and 5 years	-	-	2,609
Later than 5 years	-	-	9,890
Total	372	430	23,277
Less unearned interest cost	-33	-44	-5,109
Lease liabilities	339	386	18,168

Until 29th December 2020 the period for which the lease payments were presented are based on the term of the contract between ISS and Sunborn UK.

From 1st January 2021 onwards the Bareboat charter agreement between the hotel operator, Sunborn International (UK) Ltd and the yacht hotel owner, Sunborn London Oyj was on 29th December 2020 renewed with a fixed sum of GBP 195,000 per month in lease to account for the changes of the ISS Settlement Agreement. Bareboat Charter agreement is in force until terminated by either party subject to six months' prior notice.

6. Transactions with related parties

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

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

GBP thousand	1 Jan - 30 Jun 2021 Bareboat charter	1 Jan -31 Dec 2020 Interest cost related to lease liability	1 Jan – 30 June 2020 Interest cost related to lease liability
Sunborn London Oyj	1,170	1,048	535
Total	1,170	1,048	535

GBP thousand	30 Jun 2021		31 Dec 2020		30 Jun 2020	
	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities
Sunborn London Oyj	-	2,734	-	2 869	-	20,658
Sunborn International Holding Oy	-	-	-	36	-	-
Sunborn International Oy	1,126	-	1,126	-	1,126	-
Total	1,126	2,734	1,126	2 905	1,126	20,658

The lease expenses of the Company arise from a lease contract related to the Yacht hotel with its sister Company, Sunborn London Oyj. The Lease contract (“Bareboat charter agreement”) is in force until terminated by either party subject to six months' prior notice.