



HALF YEAR FINANCIAL REPORT
1 January – 30 June 2018
30/8/2018

sunborn

HALF YEAR REPORT 1 January - 30 June 2018**Key Figures**

EUR thousand	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017	1 Jan - 31 Dec 2017
Rental income	1 463	1 496	2 941
Operating profit	691	637	1 253
Investment property (yacht hotel)	40 165	41 669	40 917
Total Equity	31 834	32 944	31 431
Borrowings	30 812	31 193	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 - 30 June 2018

Rental Income for the reporting period was 1,47 M€ (1,50 M€). Rental income in EUR was slightly affected by weakening of GBP versus EUR, which is in line with our expected FX fluctuations considering Brexit negotiations are taking place. With comparable exchange rates rental income remained the same.

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

Fair value of the yacht hotel as at 30 June 2018 approximates the book value of the yacht hotel. The volatility in the fair value is mainly due to fluctuation of the GBP/EUR exchange rate.

Business environment

No significant changes in business environment.

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

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

Customer satisfaction continues to be excellent reflected in the current score of 8.7/10 on Booking.com, 4.4/5 on Hotels.com, 4.5/5 on Expedia and #173 out of 1,085 hotels in London on TripAdvisor.

Notable events during and after the end of the reporting period

No notable events after the end of the reporting period

Estimate future development

The company estimates that its financial performance and debt service capacity will 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 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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STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income

EUR thousand	Note	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017	1 Jan - 31 Dec 2017
Rental income from group companies	3	1 463	1 496	2 941
Other operating income		64	64	128
Depreciation	4	-752	-752	-1 505
Other operating expenses		-84	-170	-312
Operating profit		691	637	1 253
Finance income		779	792	1 559
Finance costs		-966	-1 089	-2 113
Finance income and costs, net		-186	-297	-554
Profit before taxes		504	340	698
Income tax expense		-166	-170	-450
Change in deferred tax		65	102	310
Profit for the period		404	272	559
Total comprehensive income for the period		404	272	559

Balance sheet

EUR thousand	Note	30 Jun 2018	30 Jun 2017	31 Dec 2017
Assets				
Non-current assets				
Investment property	4	40 165	41 669	40 917
Receivables from group companies	7	26 233	26 875	25 418
Cash collateral	6	880	880	880
Total non-current assets		67 278	69 424	67 215
Current assets				
Trade receivables from group companies	7	3 386	3 429	3 428
Trade and other receivables		33	86	7
Cash and cash equivalents		556	343	229
Total current assets		3 975	3 858	3 663
Total assets		71 253	73 282	70 878
Equity and liabilities				
Share capital	5	80	80	80
Reserve for invested unrestricted equity		600	600	600
Retained earnings		31 154	32 264	30 751
Total equity		31 834	32 944	31 431
Liabilities				
Non-current liabilities				
Borrowings	6	30 204	30 633	30 114
Deferred income	4	706	835	770
Deferred income tax liabilities		7 688	7 961	7 752
Total non-current liabilities		38 598	39 428	38 637
Current liabilities				
Trade and other payables		23	150	0
Payables to group companies		5	5	149
Borrowings	6	608	560	608
Accrued expenses		185	195	53
Total current liabilities		821	910	811
Total liabilities		39 418	40 338	39 448
Total equity and liabilities		71 253	73 282	70 878

STATEMENT OF CHANGES IN EQUITY

EUR thousand	Invested equity	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1.1.2017	0	3	600	31 992	32 594
Profit for the period				272	272
Total comprehensive income	0	0	0	272	272
Transactions with owner:					
Payment of the sharecapital		78			78
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	78	0	0	78
Equity at 30.6.2017	0	80	600	32 264	32 944
Equity at 1.7.2017	0	80	600	32 264	32 944
Profit for the period				287	287
Total comprehensive income	0	0	0	287	287
Transactions with owner:					
Group contribution		0		-1 800	-1 800
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	0	0	-1 800	-1 800
Equity at 31.12.2017	0	80	600	30 751	31 431
Equity at 1.1.2018	0	80	600	30 751	31 431
Profit for the period				404	404
Total comprehensive income	0	0	0	404	404
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	0	0	0	0
Equity at 30.6.2018	0	80	600	31 154	31 834

STATEMENT OF CASH FLOWS

EUR thousand	Note	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017	1 Jan - 31 Dec 2017
Cash flows from operating activities				
Profit before tax		404	340	698
Adjustments for				
Amortisation of deferred income	4	-64	-64	-128
Depreciation	4	752	752	1 505
Finance income and costs, net		186	297	554
Change of working capital				
Change in trade and other receivables		16	-8	71
Change in trade and other payables		-80	-46	-171
Net cash flows from operating activities		1 214	1 272	2 529
Cash used in investing activities				
Loans given to related party	7	-12	-70	-
Interest received		-	-	-
Net cash flows used in investing activities		-12	-70	0
Cash flows from financing activities				
Proceeds from borrowings		-	-	-
Repayment of borrowings from parent company	7	-	-	-560
Cash deposited on escrow account		-	-	-40
Contribution from/to Sunborn International Oy		-	-	36
Payment of the share capital		-	-	0
Transaction costs paid		-	-	-6
Interest and finance costs paid		-874	-904	-1 777
Net cash flows from financing activities		-874	-904	-2 346
Cash and cash equivalents at the beginning of period		228	45	45
Effects of exchange rate changes on cash and cash equivalents		0	0	0
Change in cash and cash equivalents		328	298	183
Cash and cash equivalents at the end of period		556	343	228

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

2. Summary of significant accounting policies

Basis of preparation

This half year financial report for six months ended 30 June 2017 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 2017, as well as on the new and updated IFRS standards described in the financial statements for the year 2017. 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 2017.

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 2017

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.

New IFRS standards adopted by the Company

The adaptation of IFRS 9 Financial Statements form 1 January 2018 resulted in change in accounting policies, however there are no adjustments to the amounts recognised in this half year report. The only relevant impact of adoption is related to impairment of financial assets.

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 to be assessed for impairment under the new impairment rules in IFRS 9. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the management has assessed that the impairment loss for them is immaterial.

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

The calculations of expected credit loss for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management has concluded that this amount is immaterial.

3. Rental income from related parties and other income

The Company's rental income consist of rental income from its sister company Sunborn UK.

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

EUR thousand	30 Jun 2018	30 Jun 2017	31 Dec 2017
No later than 1 year	2 912	2 934	2 908
Later than 1 year and no later than 5 years	11 647	11 736	11 632
Later than 5 years	16 985	20 049	18 417
Total	31 544	34 720	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.

4. 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 Company has used the fair value of the Yacht hotel as deemed cost for the investment property as at 1 January 2015. Subsequently the investment property is carried at cost less any accumulated depreciation and any accumulated losses. Fair value of the yacht hotel as at 30 June 2018 approximates the book value of the yacht hotel 40 million euro. The fair value was approximately 41 million EUR on 30.6.2018 and 41 million EUR on 31.12.2017. The fair value has been determined based on income approach using discounted cash flow analyses. The fair value measurement is based on unobservable inputs and accordingly, is classified in Level 3 in the fair value hierarchy. The volatility in the fair value is mainly due to fluctuation of the GBP/EUR exchange rate.

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

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

Investment property

EUR thousand	Yacht hotel
Cost at January 1, 2017	45 432
Cost at June 30, 2017	45 432
Accumulated depreciation at January 1, 2017	3 010
Depreciation	752
Accumulated depreciation and impairment at June 30, 2017	3 762
Net book value at January 1, 2017	42 422
Net book value at December 31, 2017	41 669
EUR thousand	Yacht hotel
Cost at July 1, 2017	45 432
Cost at December 31, 2017	45 432
Accumulated depreciation at January 1, 2017	3 762
Depreciation	752
Accumulated depreciation and impairment at December 31, 2017	4 515
Net book value at July 1, 2017	41 669
Net book value at December 31, 2017	40 917
EUR thousand	Yacht hotel
Cost at January 1, 2018	45 432
Cost at June 30, 2018	45 432
Accumulated depreciation at January 1, 2018	4 515
Depreciation	752
Accumulated depreciation and impairment at June 30, 2018	5 267
Net book value at January 1, 2018	40 917
Net book value at June 30, 2018	40 165

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 2018	1 Jan - 30 Jun 2017	1 Jan - 31 Dec 2017
Rental income	1 463	1 496	2 941
Direct operating expenses from property that generated rental income	84	170	133

5. Equity

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

6. Borrowings

EUR thousand	30 Jun 2018	30 Jun 2017	31 Dec 2017
Non-current:			
Senior secured bond	30 204	30 633	30 114
Current:			
Senior secured bond	608	560	608
Total	30 812	31 193	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 0.88 million equivalent of 6 months interest was deposited in a reserve account in the bank (cash collateral). The remaining proceeds were used for general corporate purposes.

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

Collaterals and guarantees given

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

The bonds are also secured by an on demand guarantee (In Norwegian: "påkravsgaranti") from Sunborn UK, which were issued under the bond agreement and by a 1st lien floating charge (in Finnish: yrittyskiinnitys) 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.

7. Related parties

Transactions with related parties

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

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

Transactions with related parties

EUR thousand	1 Jan - 30 Jun 2018			1 Jan - 30 Jun 2017		
	Rental income from the operating lease	Management fee	Interest income	Rental income from the operating lease	Management fee	Interest income
Parent - Sunborn Oy	-	-24	779	-	-24	792
Sunborn UK	1 463	-	-	1 496	-	-
Total	1 463	-24	779	1 496	-24	792

EUR thousand	1 Jan - 31 Dec 2017		
	Rental income from the operating lease	Management fee	Interest income
Parent - Sunborn Oy	-	-48	1 559
Sunborn International (UK) Ltd	2 941	-	-
Total	2 941	-48	1 559

EUR thousand	30 Jun 2017		30 Jun 2016	
	Receivables	Liabilities	Receivables	Liabilities
Parent - Sunborn Oy	26 197	-	26 815	5
Sunborn International Oy	36	-	60	-
Sunborn UK	3 386	-	3 429	-
Total	29 619	0	30 304	5

EUR thousand	31 Dec 2017	
	Receivables	Liabilities
Parent - Sunborn Oy	25 274	5
Sunborn International Oy	24	-
Sunborn International (UK) Ltd	3 404	-
Total	28 702	5

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

The Company has paid for the management fee and received interest income from 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 interest rates have not change much and carries interest rate based on market rate.

The lease receivables from Sunborn UK amounted to approximately EUR 3.8 million on 30.6.2018 (EUR 3.4 million on 31.12.2017).

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

8. Appendix 1

Sunborn International (UK) Ltd Half year Financial Report 1 January - 30 June 2018

**Sunborn International (UK) Ltd
HALF-YEAR UNAUDITED REPORT 1 January - 30 June 2018**

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STATEMENT OF COMPREHENSIVE INCOME

GBP thousand	Note	1 Jan - 30 Jun 2018	1 Jan - 31 Dec 2017	1 Jan - 30 Jun 2017
Revenue	3	1,320	2,640	1,320
Cost of sales	4	(1,290)	(2,580)	(1,290)
Depreciation	5	(66)	(131)	(66)
Administrative expenses		(9)	(12)	(7)
Operating profit/(loss)		(45)	(83)	(43)
Finance income and costs, net		-	-	
Profit before taxes		(45)	(83)	(43)
Income tax expense		-	-	-
Change in deferred tax		-	-	-
Profit for the period		(45)	(83)	(43)
Total comprehensive income for the period		(45)	(83)	(43)

BALANCE SHEET

GBP thousand	Note	30 Jun 2018	31 Dec 2017	30 Jun 2017
Assets				
Non-current assets				
Property, plant and equipment	5	854	920	985
Total non-current assets		854	920	985
Current assets				
Amounts due from group companies	7	1,277	1,091	1,091
Trade and other receivables		33	218	218
Cash and cash equivalents		18	39	8
Total current assets		1,328	1,348	1,317
Total assets		2,182	2,268	2,302
Equity and liabilities				
Share capital	6	150	150	150
Retained earnings		(1,082)	(1,037)	(997)
Total equity		(932)	(887)	(847)
Current liabilities				
Trade and other payables		132	132	132
Payables to group companies	7	2,980	3,020	3,015
Accrued expenses		2	3	2
Total current liabilities		3,114	3,155	3,149
Total liabilities		3,114	3,155	3,149
Total equity and liabilities		2,182	2,268	2,302

STATEMENT OF CHANGES IN EQUITY

	GBP thousand	Share Capital	Retained Earnings	Total
Equity at 1.1.2017		150	(954)	(804)
Loss of the period		-	(43)	(43)
Total comprehensive income		-	(43)	(43)
Equity at 30.06.2017		150	(997)	(847)
Equity at 1.1.2017		150	(954)	(804)
Loss of the year		-	(83)	(83)
Total comprehensive income		-	(83)	(83)
Equity at 31.12.2017		150	(1,037)	(887)
Equity at 1.1.2018		150	(1,037)	(887)
Loss of the period		-	(45)	(45)
Total comprehensive income		-	(45)	(45)
Equity at 30.06.2018		150	(1,082)	(932)

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 parent and ultimate holding entity is Sunborn OY, an undertaking incorporated in Finland. The registered address of Sunborn International (UK) Limited is St James House, 13 Kensington Square, London, W8 5HD).

Sunborn International (UK) Limited ("Sunborn UK") is acting as a lessee for a luxury yacht hotel "Sunborn London" docked at 'at Royal Victoria Dock in London, the UK ("Yacht hotel"), which it is own by its sister company Sunborn London Oyj. The hotel operations of the Yacht hotel Sunborn London are run by management company ISS Facility Services Ltd ("ISS") in accordance with a lease contract between ISS and Sunborn UK International. The Yacht hotel is equipped with 138 cabins, including four suites or high class cabins, with a total hotel capacity of 524 persons. There are also conference facilities for up to 200 delegates, restaurant, bar and lounges inside the Yacht hotel. Sunborn UK's sole operations consist of acting as the lessee and lessor of the Yacht hotel.

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.

2. Summary of significant accounting policies

Basis of preparation

This half year financial report for six months ended 30 June 2018 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 2017, as well as on the new and updated IFRS standards described in the financial statements for the year 2017. 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 special purpose financial statements for the year ended 31 December 2017.

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 2017.

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

The half year financial report is unaudited.

3. Revenue

The Company's revenue consists of rental income from 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.

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

GBP thousand	30 Jun 2018	31 Dec 2017	30 June 2017
No later than 1 year	2,640	2,640	2,640
Later than 1 year and no later than 5 years	10,560	10,560	10,560
Later than 5 years	15,180	16,500	17,820
Total	28,380	29,700	31,020

4. Cost of sales

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

GBP thousand	1 Jan - 30 Jun 2018	1 Jan - 31 Dec 2017	1 Jan - 30 Jun 2017
Operating lease payments	1,290	2,580	1,290

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

5. Property, plant and equipment

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

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

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

- Improvements to property 10 years straight line

GBP thousand	Improvements to property
Cost at January 1, 2017	1,314
Cost at June 30, 2017	1,314
Accumulated depreciation at January 1, 2017	263
Depreciation	66
Accumulated depreciation and impairment at June 30, 2017	329
Net book value at January 1, 2017	1,051
Net book value at June 30, 2017	985
Cost at January 1, 2017	1,314
Cost at December 31, 2017	1,314
Accumulated depreciation at January 1, 2017	263
Depreciation	131
Accumulated depreciation and impairment at December 31, 2017	394
Net book value at January 1, 2017	1,051
Net book value at December 31, 2017	920
Cost at January 1, 2018	1,314
Cost at June 30, 2018	1,314
Accumulated depreciation at January 1, 2018	394
Depreciation	66
Accumulated depreciation and impairment at June 30, 2018	460
Net book value at January 1, 2018	920
Net book value at June 30, 2018	854

6. Equity

Share Capital	As at 30 June 2018		As at 31 Dec 2017		As at 30 June 2017	
	No.	£	No.	£	No.	£
Authorised, allotted, called up and fully paid shares of £1 each	150,000	150,000	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 carry no right to fixed income.

7. Related parties**Transactions with related parties**

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

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

GBP thousand	1 Jan - 30 Jun 2018		1 Jan -31 Dec 2017		1 Jan – 30 June 2017	
	Net operating lease expenses (Bareboat agreement)		Net operating lease expense (Bareboat agreement)		Net operating lease expense (Bareboat agreement)	
Sunborn London Oyj	1,290		2,580		1,290	
Total	1,290		2,580		1,290	
EUR thousand	30 Jun 2018		31 Dec 2017		30 Jun 2017	
	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities
Sunborn London Oyj	-	2,980	-	3,020	-	3,015
Sunborn International Oy	1,127	-	941	-	941	-
Sunborn Gibraltar	150	-	150	-	150	-
Total	1,277	2,980	1,091	3,020	1,091	3,015

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