

SUNBORN



LONDON



HALF YEAR FINANCIAL REPORT
1 JULY - 31 DECEMBER 2017
1/3/2018

sunborn

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KEY FIGURES SUNBORN LONDON OYJ

EUR thousand	1 Jul - 31 Dec 2017	1 Jul - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Rental income	1445	1500	2941	3132
Operating profit	615	616	1253	1499
Investment property (yacht hotel)	40 917	42 422	40 917	42 422
Total Equity	31 431	32 594	31 431	32 594
Borrowings	30 722	31 106	30 722	31 106

CEO PEKKA NIEMI

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

FINANCIAL SUMMARY 1 JULY - 31 DECEMBER 2017

Rental Income for the reporting period was 1,445 M€ (1,500 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.

Costs remained at the same level.

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

NOTABLE EVENTS DURING THE REPORTING

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

During the reporting period, exchange rates continued to be volatile. According to Sunborn's financial strategy, the management of the company closely monitors the development of the GBP/EUR exchange rate and on 5 October 2017 decided to enter into a EURGBP open window forward rate contract for period 5th October 2017 until 29th September 2018 for an amount corresponding to the bond coupon payments to be made in these periods creating an effective hedge against depreciation of the GBP for bond coupon payments.

BUSINESS ENVIRONMENT

No significant changes in business environment.

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

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

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

ESTIMATE FUTURE DEVELOPMENT

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

NOTABLE EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant event to report.

SHORT-TERM RISKS AND UNCERTAINTIES

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

The Company is exposed to foreign currency risk through rental receivables and future cash flows arising from the lease contract of the Yacht hotel that is denominated in GBP. The risk of depreciation of the GBP against EUR and its possible negative impact on the returns is hedged. Floating interest rate risk has not been hedged.

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

STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	1 Jul - 31 Dec 2017	1 Jul - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Rental income from group companies	3	1 445	1 500	2 941	3 132
Other operating income		64	64	128	132
Depreciation	4	-752	-752	-1 505	-1 505
Other operating expenses		-142	-196	-312	-261
Operating profit		615	616	1 253	1 499
Finance income		767	414	1 559	414
Finance costs		-1 024	-696	-2 113	-944
Finance income and costs, net		-257	-283	-554	-530
Profit before taxes		358	333	698	969
Income tax expense		-279	44	-450	-150
Change in deferred tax		208	-111	310	-44
Profit for the period		287	267	559	775
Total comprehensive income for the period		287	267	559	775

BALANCE SHEET

EUR thousand	Note	31 Dec 2017	31 Dec 2016
Assets			
Non-current assets			
Investment property	9	40 917	42 422
Receivables from group companies	10	25 274	26 014
Cash collateral	14	880	880
Total non-current assets		67 071	69 316
Current assets			
Trade receivables from group companies	15	3 428	3 551
Trade and other receivables	10	7	55
Cash and cash equivalents		229	45
Total current assets		3 663	3 651
Total assets		70 734	72 967
Equity and liabilities			
Equity and liabilities			
Invested equity	12	-	-
Share capital		80	3
Reserve for invested unrestricted equity		600	600
Retained earnings		30 751	31 992
Total equity		31 431	32 594
Liabilities			
Non-current liabilities			
Borrowings	14	30 114	30 546
Deferred income	9	770	899
Deferred income tax liabilities	11	7 752	8 063
Total non-current liabilities		38 637	39 508
Current liabilities			
Trade and other payables	13	0	117
Payables to group companies	13	5	161
Borrowings	14	608	560
Accrued expenses		53	27
Total current liabilities		667	865
Total liabilities		39 304	40 373
Total equity and liabilities		70 734	72 967

STATEMENT OF CHANGES IN EQUITY

EUR thousand	Invested equity	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity at 1.1.2016	36 006	0	0	0	36 006
Profit for the period	468				468
Total comprehensive income	468	0	0	0	468
Transactions with owner:					
Equity transactions with Sunborn International Oy	229				229
Total contributions by and distributions to owners of the parent, recognised directly in equity	229	0	0	0	229
Demerger on April 30, 2016:					
Reclassification of invested equity to liability in accordance with demerger plan	-4 467				-4 467
Reclassification of invested equity to share capital and reserve for invested unrestricted equity	-32 236	0	600	31 636	0
Impact of demerger on April 30, 2016	-36 703	0	600	31 636	-4 467
Equity at 30.4.2016	0	0	600	31 636	32 236
Profit for the period				41	41
Total comprehensive income	0	0	0	41	41
Transactions with owner:					
Payment of the sharecapital		3			3
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	3	0	0	3
Equity at 30.6.2016	0	3	600	31 677	32 279
Equity at 1.7.2016	0	3	600	31 677	32 279
Profit for the period				267	267
Total comprehensive income	0	0	0	267	267
Transactions with owner:					
Group contribution				48	48
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	0	0	48	48
Equity at 31.12.2016	0	3	600	31 992	32 594
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 share capital		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				-1 800	-1 800
Total contributions by and distributions to owners of the parent, recognised directly in equity	0	0	0	0	0
Equity at 31.12.2017	0	80	600	30 751	31 431

STATEMENT OF CASH FLOWS

EUR thousand	Note	1 Jul - 31 Dec 2017	1 Jul - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Cash flows from operating activities					
Profit before tax		358	333	698	969
Adjustments for					
Amortisation of deferred income	4	-64	-68	-128	-132
Depreciation	4	752	752	1 505	1 505
Finance income and costs, net		272	283	554	530
Change of working capital					
Change in trade and other receivables		62	-948	-15	-2 685
Change in trade and other payables		-45	51	-90	147
Net cash flows from operating activities		1 335	403	2 524	334
Cash used in investing activities					
Loans given to related party	7	-	-25 671	-	-25 671
Interest received		-	2	-	2
Net cash flows used in investing activities		0	-25 669	0	-25 669
Cash flows from financing activities					
Proceeds from borrowings		-	32 000	-	32 000
Repayment of borrowings		-560		-560	
Repayment of borrowings from parent company	7	-	-4 390	-	-4 390
Cash deposited on escrow account		-	-880	-	-880
Contribution from/to Sunborn International Oy		-	0	-	67
Payment of the share capital		-	0	-	3
Transaction/loan agent costs paid		-6	-933	-6	-933
Interest and finance costs paid		-887	-488	-1 777	-488
Net cash flows from financing activities		-1 452	25 310	-2 342	25 380
Cash and cash equivalents at the beginning of period		343	2	45	3
Effects of exchange rate changes on cash and cash equivalents		3	-1	3	-2
Change in cash and cash equivalents		-114	43	184	42
Cash and cash equivalents at the end of period		229	45	229	45

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 2016 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 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 31 December 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 2016, as well as on the new and updated IFRS standards described in the financial statements for the year 2016. 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 2016.

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 2016

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.

Basis of accounting for the carve-out financial information

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

The application of these carve-out conventions has been described more closely in the special purpose financial statements for the year ended 31 December 2016.

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	31 Dec 2017	31 Dec 2016
No later than 1 year	2 908	3 013
Later than 1 year and no later than 5 years	11 632	12 054
Later than 5 years	18 417	22 098
Total	32 957	37 165

Other income relates to the payments received from ISS to renovate and repair the Yacht hotel before the commencement of the lease in 2014. The payments received are recognised as other income over the time of the depreciation of the improvements.

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 was approximately 42 million EUR on 31.12.2017 (30.6.2016: 44 million EUR and 31.12.2016: 43 million EUR). 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.

EUR thousand	Yacht hotel
Cost at July 1, 2017	45 432
Cost at December 31, 2017	45 432
Accumulated depreciation at July 1, 2017	3763
Depreciation	753
Accumulated depreciation and impairment at December 31, 2016	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, 2017	45 432
Cost at June 30, 2017	45 432
Accumulated depreciation at January 1, 2017	3010
Depreciation	753
Accumulated depreciation and impairment at December 31, 2016	3 763
Net book value at January 1, 2017	42 422
Net book value at June 30, 2017	41 669
EUR thousand	Yacht hotel
Cost at January 1, 2016	45 432
Cost at June 30, 2016	45 432
Accumulated depreciation at January 1, 2016	1505
Depreciation	753
Accumulated depreciation and impairment at June 30, 2016	2 258
Net book value at January 1, 2016	43 927
Net book value at June 30, 2016	43 174
EUR thousand	Yacht hotel
Cost at July 1, 2016	45 432
Cost at December 31, 2016	45 432
Accumulated depreciation at June 30, 2016	2258
Depreciation	753

Accumulated depreciation and impairment at December 31, 2016 **3 010**

Net book value at July 1, 2016	43 174
Net book value at December 31, 2016	42 422

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

EUR thousand	1 Jul - 31 Dec 2017	1 Jul - 31 Dec 2016	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Rental income	1 445	1 500	2 941	3 132
Direct operating expenses from property that generated rental income	74	105	133	261

5. Equity

Shareholder meeting held on 8 February, 2017 decided to change the legal form of the company from private limited company to public limited company. At the same time, Sunborn Oy decided to increase the share capital of the Company to meet the requirements of a public limited liability company under Finnish Companies Act (624/2006). Borrowing of EUR 77.500 from Sunborn Oy was converted to the share capital of the Company. After this transaction, the Company's share capital amounts to EUR 80 thousand.

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

6. Borrowings

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

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

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

	1 Jul - 31 Dec 2017			1 Jul - 31 Dec 2016			
	Rental income from the operating lease	Management fee	Interest income	Rental income from the operating lease	Management fee	Interest income	Interest expenses
EUR thousand							
Parent - Sunborn Oy	-	-24	767	-	-59	398	-69
Sunborn International (UK) Ltd	1 445	-	-	1 500	-	-	-
Total	1 445	-24	767	1 500	-59	398	-69

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

	31 Dec 2017		31 Dec 2016	
	Receivables	Liabilities	Receivables	Liabilities
EUR thousand				
Parent - Sunborn Oy	25 274	5	26 014	161
Sunborn International Oy	24			
Sunborn International (UK) Ltd	3 404	-	3 551	-
Total	28 702	5	29 565	161

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

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

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

The lease receivables from Sunborn UK amounted to approximately EUR 3.4 million on 31.12.2017 (EUR 3.6 million on 31.12.2016).

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 July - 31 December 2017

**Sunborn International (UK) Ltd
HALF YEAR FINANCIAL REPORT
1 July - 31 December 2017**

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STATEMENT OF COMPREHENSIVE INCOME

GBP thousand	Note	1 Jul - 31 Dec 2017	1 Jan - 31 Dec 2017	1 Jul - 31 Dec 2016	1 Jan - 31 Dec 2016
Revenue	3	1,320	2,640	1,319	2,638
Cost of sales	4	(1,290)	(2,580)	(1,290)	(2,577)
Depreciation	5	(65)	(131)	(65)	(131)
Administrative expenses		(5)	(11)	(8)	(14)
Operating profit/(loss)		(40)	(83)	(44)	(84)
Finance income		-	-	861	1,966
Finance costs		-	-	(861)	(1,966)
Finance income and costs, net		-	-	-	-
Profit before taxes		(40)	(83)	(44)	(84)
Income tax expense		-	-	-	-
Change in deferred tax		-	-	-	-
Profit for the period		(40)	(83)	(44)	(84)
Total comprehensive income for the period		(40)	(83)	(44)	(84)

BALANCE SHEET

GBP thousand	Note	31 Dec 2017	30 Jun 2017	31 Dec 2016	30 Jun 2016
Assets					
Non-current assets					
Property, plant and equipment	5	919	985	1,051	1,117
Total non-current assets		919	985	1,051	1,117
Current assets					
Amounts due from group companies	7	1,091	1,091	1,091	20,263
Trade and other receivables		218	218	226	4
Cash and cash equivalents		39	8	5	137
Total current assets		1,348	1,317	1,322	20,404
Total assets		2,267	2,302	2,373	21,521
Equity and liabilities					
Share capital	6	150	150	150	150
Retained earnings		(1,037)	(997)	(954)	(910)
Total equity		(887)	(847)	(804)	(760)
Current liabilities					
Bank borrowings		-	-	-	19,973
Trade and other payables		131	132	133	135
Payables to group companies	7	3,020	3,015	3,040	2,170
Accrued expenses		3	2	4	3
Total current liabilities		3,154	3,149	3,177	22,281
Total liabilities		3,154	3,149	3,177	22,281
Total equity and liabilities		2,267	2,302	2,373	21,521

STATEMENT OF CHANGES IN EQUITY

GBP thousand	Share Capital	Retained Earnings	Total
Equity at 1.7.2016	150	(910)	(760)
Loss of the period		(44)	(44)
Total comprehensive income		(44)	(44)
Equity at 31.12.2016	150	(954)	(804)
Equity at 1.1.2016	150	(870)	(720)
Loss of the year	-	(84)	(84)
Total comprehensive income	-	(84)	(84)
Equity at 31.12.2016	150	(954)	(804)
Equity at 1.7.2017	150	(997)	(847)
Loss of the year	-	(40)	(40)
Total comprehensive income	-	(40)	(40)
Equity at 31.12.2017	150	(1,037)	(887)
Equity at 1.1.2017	150	(954)	(804)
Loss of the period	-	(83)	(83)
Total comprehensive income	-	(83)	(83)
Equity at 31.12.2017	150	(1,037)	(887)

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. 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 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 31 December 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 2016. 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 2016

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	31 Dec 2017	30 Jun 2017	31 Dec 2016	30 June 2016
No later than 1 year	2,640	2,640	2,640	2,640
Later than 1 year and no later than 5 years	10,560	10,560	10,560	10,560
Later than 5 years	16,500	17,820	19,140	20,460
Total	29,700	31,020	32,340	33,660

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 Jul - 31 Dec 2017	1 Jan - 31 Dec 2017	1 Jul - 31 Dec 2016	1 Jan - 31 Dec 2016
Operating lease payments	1,290	2,580	1,290	2,580

The lease agreement with related party Sunborn London Oyj can be terminated with 6 months' notice. Mooring license with Royal Docks Management Authority (RODMA) was renewed in September 2017 for a further five 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, 2016	1,314
Cost at June 30, 2016	1,314
Accumulated depreciation at January 1, 2016	132
Depreciation	66
Accumulated depreciation and impairment at June 30, 2016	197
Net book value at January 1, 2016	1,182
Net book value at June 30, 2016	1,117
Cost at January 1, 2016	1,314
Cost at December 31, 2016	1,314
Accumulated depreciation at January 1, 2016	132
Depreciation	131
Accumulated depreciation and impairment at December 31, 2016	263
Net book value at January 1, 2016	1,182
Net book value at December 31, 2016	1,051

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

GBP thousand	Improvements to property
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 June 30, 2017	394
Net book value at January 1, 2017	1,051
Net book value at December 31, 2017	920

6. Equity

Share Capital	As at 31 Dec 2017		As at 30 June 2017		As at 31 Dec 2016		As at 30 June 2016	
	No. '000	£	No. '000	£	No. '000	£	No. '000	£
Authorised, allotted, called up and fully paid shares of £1 each	150,000	150,000	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 shares 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 Jul – 31 Dec 2017	1 Jan – 31 Dec 2017	1 Jul -31 Dec 2016	1 Jan-31 Dec 2016
	Net operating lease expenses (Bareboat agreement)	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	2,580
Total	1,290	2,580	1,290	2,580

GBP thousand	As at 31 Dec 2017		As at 30 June 2017		As at 31 Dec 2016		As at 30 June 2016	
	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities	Receivables	Liabilities
Sunborn London Oyj		3,020	-	3,015	-	3,040	-	2,150
Sunborn International Oyj	941		941	-	941	-	20,263	-
Sunborn Gibraltar	150		150	-	150	-	-	20
Total	1,091	3,020	1,091	3,015	1,091	3,040	20,263	2,170

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