

GRAND HARBOUR MARINA
VITTORIOSA * MALTA



Grand Harbour Marina p.l.c.

Annual Report
2008

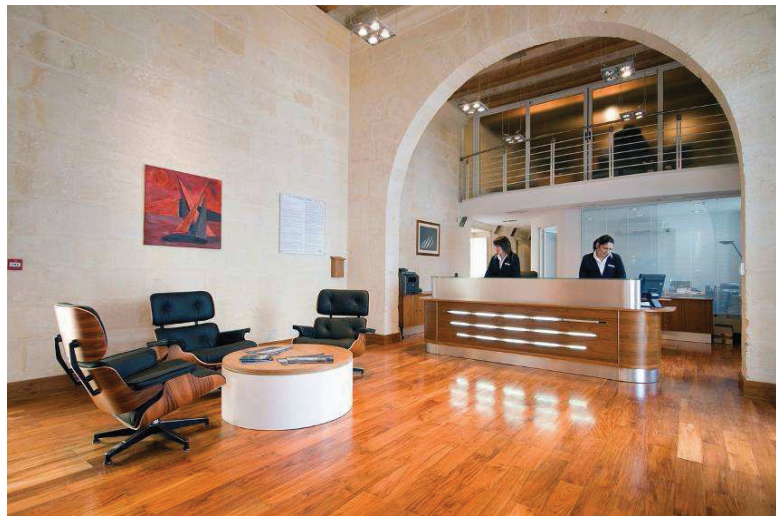
Company Registration Number: C 26891

Grand Harbour Marina p.l.c.

Annual Report 2008

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Grand Harbour Marina p.l.c.



Directors' and Other Statutory Reports 2008

GRAND HARBOUR MARINA
VITTORIOSA * MALTA

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Directors' and Other Statutory Reports 2008

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Grand Harbour Marina p.l.c.

Chairman's Statement

For the Year Ended 31 December 2008

After a truly exceptional year in 2007, this year started strongly with two 30 meter berth sales. Notwithstanding a continued high level of enquiries, owners proved more cautious in making commitments during the second half of the year in the light of the current international economic climate. The substantial superyacht order book, we consider, will lead to a resumption of demand for such berths in due course.

Our pontoon berths have remained at full occupancy, and the waiting list of clients seeking berths has been maintained. As a result, the company still managed to make an operating profit of €93,241 at the EBITDA level, determined as set out below, with operational income increasing to €1,478,512 in 2008 from €1,159,493 in 2007.

| | 2008 | 2007 |
|--|-----------|-----------|
| | € | € |
| Result from operating activities before depreciation | 93,241 | 7,325,160 |
| Depreciation | (334,959) | (284,526) |
| | ----- | ----- |
| Result from operating activities after depreciation | (241,718) | 7,040,634 |
| | ===== | ===== |

Our berth rental pricing was increased in 2008 by 5% across the board from the month of April 2008. The Marina continues to enjoying full occupancy on the pontoon berths. Berthing rates in Malta remain materially below those of similar marinas in other EU countries. We expect berthing rates to converge over time with moderate increases continuing in Malta.

Our near term target is to make the marina profitable and cash generative at the operational level, before taking into account berth sales.

The Marina has benefited from the management role of Camper & Nicholson's (C&N), whose parent company Camper & Nicholson's Marina Investments Limited, are also 79% shareholders in the Company. Camper and Nicholson's are the leading international brand in the marina sector, and their assistance has been material in establishing the Grand Harbour Marina as one of the Mediterranean's leading Superyacht marinas. This in turn has made Grand Harbour Marina an important contributor to Malta's target in becoming a centre of excellence in the yachting sector. Our objective is to maintain the premium standards and perception of Malta, whilst continuing to grow our business.

We have continued to work with other stakeholders including importantly the local councils in further contributing to the regeneration of the three cities area - and are proud to have become sponsors of the Vittoriosa Football Nursery.

Marina Facilities: Expanding the operation

Grand Harbour Marina completed its improvements to the mooring system on Xatt ir-Risq for the six 30 meter berths. Four floating pontoons that were being stored on land were placed in the water next to pontoon G and supplied with utilities creating an additional twenty three berths which were offered on a seasonal basis and have been occupied since installation.

Grand Harbour Marina p.l.c.

Chairman's Statement

For the Year Ended 31 December 2008

Marina Facilities: Expanding the operation (continued)

We are now focusing our efforts on landscaping of Xatt ir-Risq area, an essential step to bring the land side area to the standard expected of a world class marina. This is being done through close collaboration with government and the local councils.

Our highly advanced fuelling system which provides fuel directly to the superyachts at their berths is entering its final stages. We are working in collaboration with our respected partner Vittoriosa Oil Services Ltd. The system will also permit the environmentally safe collection and disposal of oil waste.

Staff and Operational Performance

Following the integration of the C&N standards Grand Harbour Marina plc works as the flagship site for C&N, for refining existing standards and the trial of new procedures.

Through the effective use of the Marina Management System we have a more timely and transparent invoicing and accounting process. Improved management of available berth space has improved our revenues on the existing pontoon berths.

The Marina Agreement with C&N Marinas and the staff development program continues to strengthen with bi annual self assessments being conducted by the staff themselves and individually discussed with management. Through this we have witnessed our staff embrace individual responsibility towards the upkeep and improvement of the infrastructure to a far greater degree than in the past. This has a material influence on our maintenance costs, which management fully expect to become more evident in 2009.

Our objective remains to maintain and improve the high standards of service to our clients, which we have set ourselves.

Sales and Marketing

The Marina was once again represented at the C&N stands at the Genoa, Monaco, Dusseldorf, London and Fort Lauderdale boat shows. An extensive program of face to face visits with leading yacht brokers, managers, shipyards, and professional intermediaries was continued.

Grand Harbour Marinas' full time representative based in the South of France, contributed materially to this program.

Grand Harbour Marina p.l.c.

Chairman's Statement

For the Year Ended 31 December 2008

Privatisation

The Company notes with interest, the upcoming privatisation of the government marinas and is positive about the possibility of future developments in this sector.

Outlook

There are undoubted challenges arising from the current global economic climate. However we believe that your company has in Grand Harbour Marina a valuable business with every prospect of providing sound returns to its shareholders over many years.

A black square containing a white handwritten signature, which appears to be 'LZ'.

Lawrence Zammit
Chairman

24 March 2009

Grand Harbour Marina p.l.c.

Directors' Report

For the Year Ended 31 December 2008

The directors' present their report of Grand Harbour Marina p.l.c. (the "Company") for the year ended 31 December 2008.

Board of Directors

Mr Lawrence Zammit (Chairman)
Mr Nicholas Maris
Mr Trevor Charles Ash
Mr John Mulock Hignett
Mr Roger St John Hulton Lewis
Mr George Mitton Kershaw (Resigned on 10 December 2008)

Principal Activities

The principal activities of the Company are largely the development, operation and management of marinas. The Company is geared towards providing a high quality service to yachts, with a particular emphasis on super-yachts, which by their very nature, demand high level marina related services. Currently the Company operates only one marina, the Grand Harbour Marina. The Marina is operated and managed in association with the internationally well-known company Camper & Nicholsons Marinas Limited, a company largely involved in the management and operation of marinas worldwide.

The principal activity of the Company is therefore to seek prospective customers to berth their vessels within its facilities at the Grand Harbour Marina in Vittoriosa, Malta, and to service its existing customers by providing the high quality service required by both yacht owners and their crews.

Review of Business Development and Financial Position

The Chairman's statement on pages 1 to 3 reviews the business of the Company for the year. The results of its operations are set out in the income statement.

The financial position at 31 December 2008, as disclosed in the balance sheet as at this date, reflects a healthy state of affairs.

Grand Harbour Marina p.l.c.

Directors' Report

For the Year Ended 31 December 2008

Business Risks and Uncertainties

The Company is exposed, to a certain extent, to the risks associated with the trends and future outlook of the industry as a whole. In addition, there may be matters, outside the control of the Company which may have a negative impact on the development of the marina, namely, the development of the surrounding areas. This, in turn, may adversely affect the Company's growth potential.

Dividend

During the year the shareholders of the Company received a net dividend amounting to €2,000,000 on account of last year's profit.

The directors do not recommend the payment of a final dividend.

Reserves

The movements on reserves are as set out in the statement of changes in equity.

Approved by the Board of Directors on 24 March 2009 and signed on its behalf by:

A black rectangular box containing a white handwritten signature, likely of Lawrence Zammit.

Lawrence Zammit
Chairman

A handwritten signature in black ink, likely of Nicholas Maris.

Nicholas Maris
Director

Registered Office

Vittoriosa Wharf
Vittoriosa
Malta

Grand Harbour Marina p.l.c.

Statement by the Directors on the Financial Statements and Other Information included in the Annual Report

Pursuant to Listing Rule 9.44c.1, we, the undersigned, declare that to the best of our knowledge, the financial statements included in the Annual Report, and prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Company, and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors on 24 March 2009 by:

A black square containing a white handwritten signature, likely of Lawrence Zammit.

Lawrence Zammit
Chairman

A handwritten signature in black ink, likely of Nicholas Maris.

Nicholas Maris
Director

Grand Harbour Marina p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Introduction

Pursuant to Listing Rules 8.36 to 8.38 issued by the Listing Authority, Grand Harbour Marina p.l.c. (the "Company") is hereby reporting on the extent of its adoption of the "Code of the Principles of Good Corporate Governance" (hereinafter the "Code") appended to the said Listing Rules with respect to the period under review.

Compliance with the Code

The Company acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. However, the directors strongly believe that such practices are in the best interests of the Company and its shareholders and that compliance with principles of good corporate governance is not only expected by investors but also evidences the directors' and the Company's commitment to a high standard of governance.

The Company currently has a corporate decision-making and supervisory structure that is tailored to suit the Company's requirements and designed to ensure the existence of adequate checks and balances within the Company, whilst retaining an element of flexibility, particularly in view of the size of the Company and the nature of its business. This structure is characterised by the structure of the Company's board of directors (the "Board"), which is solely composed of non-executive directors.

The Board set up an audit committee, currently composed of Mr Lawrence Zammit (non-executive director of the Company and with effect from the 10th December 2008, also the Chairman of the Company), Mr Trevor Ash (non-executive director) and Mr John Zammit (independent of the Company). During 2008, the audit committee met six times. Furthermore, the Listing Authority has confirmed that, on the basis of declarations made by Mr Lawrence Zammit and Mr John Zammit, the majority of the audit committee members, as currently constituted, is deemed to be independent for the purpose of the Listing Rules. Following such declarations, Mr Lawrence Zammit is also considered to be an independent director for the purposes of the Code.

The general manager and financial controller of the Company attend meetings of the Board as and when requested. The Board is responsible for setting the business strategy and overall corporate governance of the Company. The attendance of the general manager during Board meetings is designed to ensure that all the directors have direct access to the day-to-day management of the Company's business. This is intended to, inter alia, ensure that the policies and strategies adopted by the Board are successfully implemented by the Company.

Up to the 10 December 2008, Mr George Kershaw carried out the role of Chairman of the Company. Following his resignation as director and Chairman, Mr Lawrence Zammit was appointed Chairman with effect from the 10 December 2008. The Chairman sets out the agenda for each board meeting and leads the Board. The Company is of the view that the recommendations pertinent to the Chairman were successfully implemented during the period under review.

Grand Harbour Marina p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Introduction (continued)

The Directors believe that certain other committees or boards that are suggested in the Code are not necessarily required by the Company, namely the remuneration committee and evaluation committee. In terms of the Code, the primary role of a Remuneration Committee is to devise the appropriate packages intended to attract, retain and motivate executive directors. The Board is of the view that in view of the composition of the Board and the size of the Company, a separate remuneration committee is not required.

To comply with the requirements of the Code in respect of the disclosure of Directors' remuneration, the Board has opted to disclose an aggregate figure. For the financial year under review the aggregate remuneration of all directors of the Company amounted to €44,098.

In general the Directors believe that, in the context of its size and nature of its business, the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of checks and balances in line with the Company's requirements.

Board of Directors

Pursuant to generally accepted practices, as well as the Company's articles of association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders.

As stated above, the Board of Directors currently comprises five¹ non-executive directors elected by the shareholders in general meeting (Mr Lawrence Zammit, Chairman and non-executive director is considered to be independent for the purposes of the Code). For the period under review the Board has implemented its policy to meet at least once every quarter. As a matter of practice, each board meeting to be held throughout the year is scheduled well in advance. Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. The Board also delegates specific responsibilities to the management team of the Company and the Audit Committee, which operates under its formal terms of reference.

| Members | No of Meetings held: 7 Attended |
|-----------------|--|
| Lawrence Zammit | 7 |
| George Kershaw | 7 |
| Nicholas Maris | 6 |
| John Hignett | 7 |
| Roger Lewis | 7 |
| Trevor Ash | 6 |

Directors' Dealings

Directors and Senior Officers are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules. Each such Director and Senior Officer has been provided with the code of dealing required in terms of Listing Rule 8.45.

¹ Prior to Mr George Kershaw's resignation effective on the 10 December 2008, the Board was composed of six non-executive directors.

Grand Harbour Marina p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Going Concern

The directors, after due consideration of the Company's profitability, balance sheet, capital adequacy and solvency declare, pursuant to Listing Rule 9.44e.13, that the Company is in a position to continue operating as a going concern for the foreseeable future.

Audit Committee

The Audit Committee has met six times since during the period under review. Its principal role is the monitoring of internal systems and controls and risk management and conflicts of interest. In addition, unless otherwise dealt with in any other manner prescribed by the Listing Rules, the Audit Committee has the responsibility to monitor and scrutinise Related Party Transactions, if any, falling within the ambits of the Listing Rules and to make its recommendations to the Board of any such proposed Related Party Transactions.

The terms of reference for the Audit Committee are designed both to strengthen this function within the Company and to widen the scope of the duties and responsibilities of this Committee. The members of the audit committee are Mr Lawrence Zammit and Mr Trevor Ash, two of the non-executive directors of the Company and Mr John Zammit. The committee also has the authority to summon any person to assist it in the performance of its duties.

| Members | No of Meetings held: 6 Attended |
|-----------------|--|
| Lawrence Zammit | 6 |
| Trevor Ash | 6 |
| John Zammit | 6 |

Senior Executive Management

Senior executive management is presently entrusted to Mr Ben Stuart, the general manager. The general manager is responsible for the implementation of the strategies set by the Board, management of the business of the Company and to deliver the results. In addition, the management of the grand harbour marina is entrusted to Camper & Nicholsons Marinas Limited pursuant to a marina service agreement dated 1 July 2007. The general manager and the management team of the Company report directly to the Board of the Company.

The Company's senior management is appointed by the Board who also determine their terms of appointment and remuneration.

Grand Harbour Marina p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Annual General Meeting

Business at the Company's Annual General Meeting ("AGM") generally covers the approval of the Annual Report and Audited Financial Statements, the declaration of a dividend, the election of Directors, the appointment of auditors, the authorisation of the Directors to set the auditors' remuneration and any other matter which requires the approval of the shareholders.

The Company gives priority to its relationship with its shareholders. Apart from the AGM, the Company communicates with its shareholders by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year and by company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with its shareholders to ensure that its strategies and performance are well understood.

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss. The Board reviews the effectiveness of the Company's system of internal controls.

The key features of the Company's system of internal control are as follows:

Organisation

The Company operates through the general manager and the marina manager. The management of the Company operated within clear reporting lines and delegation of powers granted by resolution of the Board.

Control environment

The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

Risk identification

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business.

Grand Harbour Marina p.l.c.

Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Information and communication

Company executives participate in periodic strategic reviews, which include consideration of long-term projections and the evaluation of business alternatives. Regular budgets and strategic plans are prepared. Performance against these plans is actively monitored and reported to the Board.

Communication with shareholders is effected in line with statutory and regulatory requirements. Company announcements are also made through the Malta Stock Exchange, as required by the Listing Rules.

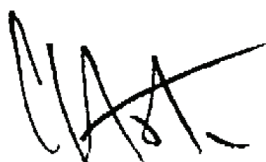
The Directors consider that during the financial year under review the Company has put in place appropriate structures to comply with the principles and underlying spirit of the Code. However they shall keep the situation under regular review as appropriate.

Corporate Social Responsibility

The Company understands its obligation towards society at large and has put in place a number of measures aimed at implementing such obligation. The Company has supported the local community through the sponsorship and support of a number of events, including, local council community development schemes and local regatta events. Furthermore, the Company has put in place CSR principles through the donation to various charitable organisations, the Maritime Museum and Heritage Malta. The Company also strongly supports the promotion of local art and performance community through the provision of exhibition and performance space. In carrying on its business, the Company is fully aware of its obligation to preserving the environment and has, in fact, put in place a number of policies aimed at respecting the environment and avoiding unnecessary pollution of the marina.

The Company considers itself to be a good employer and promotes open communication, responsibility and personal development. The Company maintains a staff development program aimed at providing training to staff to assist their development. Through investing in its people and their professional growth, the Company believes that this will result in a positive result to both its shareholders and stakeholders.

Signed on behalf of the Board of Directors on 24 March 2009 by:



Trevor Charles Ash
Director and Member of Audit Committee

Grand Harbour Marina p.l.c.

Shareholder Register Information

Pursuant to Listing Rule 9.44e.5

Beneficial and Non-Beneficial Interest of Directors

No director has any beneficial or non-beneficial interest in the Company's share capital.

The following directors held beneficial/non-beneficial interests in the share capital of the Company's parent company, Camper & Nicholsons Marina Investments Limited:

| | Number of shares held |
|---|------------------------------|
| Nicholas Maris | 2,955,000 |
| First Island Trustees Limited (of which Nicholas Maris, amongst others, holds a beneficial interest) | 1,025,000 |
| George Kershaw | 50,000 |
| John Hignett | 50,000 |

Other than with respect to First Island Trustees Limited where the latter acquired a further 1,057,142 shares in Camper & Nicholsons Marina Investments Limited on the 12 January 2009, there were no changes in the above shareholdings as at the 23 March 2009.

Pursuant to Listing Rule 9.44e.6

Shareholding

Shareholders holding 5% or more of the equity share capital as at 31 December 2008:

| | |
|--|--------|
| Camper & Nicholsons Marina Investments Limited | 79.17% |
|--|--------|

There were no changes in shareholders holding 5% or more of the equity share capital as at the 23 March 2009.

Number of shareholders and shareholding details:

| Range | No. of Shareholders 31 December 2008 | No. of Shareholders 23 March 2009 |
|---------------|---|--|
| 1 - 1000 | 86 | 88 |
| 1001 - 5000 | 114 | 112 |
| 5001 and over | 53 | 54 |
| | ----- | ----- |
| | 253 | 254 |
| | ===== | ===== |

The total number of shareholders as at the 31 December 2008 was 253 and as at 23 March 2009, the total number thereof was 254. All shares in issue by the Company constitute one class of shares, each share being entitled to one vote at meetings of shareholders.

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Other Disclosures in terms of the Listing Rules

Pursuant to Listing Rule 9.43

Share Capital Structure

The Company's authorised and issued share capital is two million three hundred and twenty nine thousand three hundred and seventy euro (€2,329,370) divided into ten million ordinary shares of €0.232937 per share. All of the issued shares of the Company form part of one class of ordinary shares in the Company, which shares are listed on the Malta Stock Exchange. All shares in the Company have the same rights and entitlements and rank *pari passu* between themselves. The following are highlights of the rights attaching to the shares:

| | |
|---------------------------------|---|
| Dividends: | The shares carry the right to participate in any distribution of dividend declared by the Company; |
| Voting Rights: | Each share shall be entitled to one vote at meetings of shareholders; |
| Pre-emption Rights: | Subject to the limitations contained in the memorandum and articles of association, shareholders in the Company shall be entitled, in accordance with the provisions of the Company's memorandum and articles of association, to be offered any new shares to be issued by the Company a right to subscribe for such shares in proportion to their then current shareholding, before such shares are offered to the public or to any person not being a shareholder; |
| Capital Distributions: | The shares carry the right for the holders thereof to participate in any distribution of capital made whether on a winding up or otherwise; |
| Transferability: | The Shares are freely transferable in accordance with the rules and regulations of the Malta Stock Exchange, applicable from time to time; |
| Other: | The Shares are not redeemable and not convertible into any other form of security; |
| Mandatory Takeover Bids: | Chapter 18 of the Listing Rules, implementing the relevant Squeeze-Out and Sell-Out Rules provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids, squeeze-out rules and sell-out rules. The shareholders of the Company may be protected by the said Listing Rules in the event that the Company is subject to a Takeover Bid (as defined therein). The Listing Rules may be viewed on the official website of the Listing Authority - www.mfsa.com.mt |

Grand Harbour Marina p.l.c.

Other Disclosures in terms of the Listing Rules

Pursuant to Listing Rule 9.43 (continued)

Holdings in Excess of 5% of the Share Capital

On the basis of the information available to the Company as at the 31 December 2008 and 23 March 2009, Camper & Nicholsons Marina Investments Limited holds 7,917,209 shares in the Company, equivalent to 79.17% of its total issued share capital. As far as the Company is aware, no persons hold any indirect shareholding in excess of 5% of its total issued share capital.

Appointment and Replacement of Directors

In terms of the memorandum and articles of association of the Company, the directors of the Company shall be appointed by the shareholders in the annual general meeting as follows:

- (a) Any shareholder/s who in the aggregate hold not less than 100,000 shares having voting rights in the Company shall be entitled to nominate a fit and proper person for appointment as a director of the Company. The directors themselves or a committee appointed for that purpose may make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.
- (b) The shareholders are granted a period of 14 days to nominate candidates for the appointment as directors. Such notice may be given by the publication of an advertisement in at least two (2) daily newspapers. All such nominations, including the candidates acceptance to be nominated as director, shall on pain of nullity, be made on the form to be prescribed by the directors from time to time and shall reach the registered office (or such other place determined by the directors) not later than fourteen (14) days after the publication of the said notice (the "Submission Date"). PROVIDED THAT the Submission Date shall not be less than fourteen (14) days prior to the date of the meeting appointed for such election. Nominations to be made by the Directors or any sub-committee of the Directors appointed for that purpose shall also be made by not later than the date established for the closure of nominations to shareholders.
- (c) In the event that there are either less nominations than there are vacancies on the board or if there are as many nominations made as there are vacancies on the Board, then each person so nominated shall be automatically appointed a director.
- (d) In the event that there are more nominations made, then an election shall take place. After the date established as the closing date for nominations to be received by the Company for persons to be appointed directors, the directors shall draw the names of each candidate by lot and place each name in a list in the order in which they were drawn. The list shall be signed by the Chairman and the Company Secretary for verification purposes.
- (e) On the notice calling the annual general meeting at which an election of directors is to take place there shall be proposed one resolution for the appointment of each candidate in the order in which the names were drawn, so that there shall be as many resolutions as there are candidates. The Directors shall further ensure that any Member may vote for each candidate by proxy.

Grand Harbour Marina p.l.c.

Other Disclosures in terms of the Listing Rules

Pursuant to Listing Rule 9.43 (continued)

Appointment and Replacement of Directors (continued)

- (f) At the general meeting at which the election of directors is to take place the Chairman shall propose the name of each candidate as a separate resolution and the shareholders shall take a separate vote for each candidate. The shareholders shall first be asked to vote by a show of hands and if a poll is validly called in accordance with the provisions of these Articles a poll shall be conducted. Each shareholder shall be entitled, in the event of a poll, to use all or part only of his votes on a particular candidate.
- (g) Upon a resolution being carried, whether by a show hands or by a poll, the candidate proposed by virtue of that resolution shall be considered elected and appointed a Director. No further voting shall take place once enough resolutions have been passed to ensure that all vacancies on the Board have been filled, even if there are still candidates with respect to whom a resolution has not yet been called.
- (h) Shareholders may vote in favour or against the resolution for the appointment of a director in any election, and a resolution shall be considered carried if it receives the assent of more than fifty per cent (50%) of the shareholders present and voting at the meeting.
- (i) Unless a shareholder demands that a vote be taken in respect of all or any one or more of the nominees, in the event that there are as many nominations as there are vacancies or less, no voting will take place and the nominees will be deemed appointed directors.
- (j) Subject to the above, any vacancy among the directors may be filled by the co-option of another person to fill such vacancy. Such co-option shall be made by the board of directors and shall be valid until the conclusion of the next annual general meeting.

Further details on the appointment of Directors may be found in the memorandum and articles of association of the Company.

Amendments to the Memorandum and Articles of Association

In terms of the Companies Act, Cap 386 of the Laws of Malta, the Company may by extraordinary resolution at a general meeting alter or add to its memorandum or articles of association. An extraordinary resolution is one where:

- (a) it has been taken at a general meeting of which notice specifying the intention to propose the text of the resolution as an extraordinary resolution and the principle purpose thereof has been duly given;
- (b) it has been passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the Company represented and entitled to vote at the meeting and at least fifty one per cent (51%) in nominal value of all the shares issued by the Company and entitled to vote at the meeting.

Grand Harbour Marina p.l.c.

Other Disclosures in terms of the Listing Rules

Pursuant to Listing Rule 9.43 (continued)

Amendments to the Memorandum and Articles of Association (continued)

Provided that, if one of the aforesaid majorities is obtained but not both, another meeting shall be convened within thirty (30) days in accordance with the provisions for the calling of meetings to take a fresh vote on the proposed resolution. At the second meeting the resolution may be passed by a shareholder or shareholders having the right to attend and vote at the meeting holding in the aggregate not less than seventy five per cent (75%) in nominal value of the shares issued by the Company represented and entitled to vote at the meeting. However, if more than half in nominal value of all the shares issued by the Company having the right to vote at the meeting is represented at that meeting, a simple majority in nominal value of such shares so represented shall suffice.

Board Member Powers

The Directors are vested with the management of the Company, and their powers of management and administration emanate directly from the memorandum and articles of association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. In terms of the memorandum and articles of association they may do all such things that are not by the memorandum and articles of association reserved for the Company in general meeting.

In particular, the Directors are authorised to issue shares in the Company with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors may from time to time determine, as long as such issue of Equity Securities falls within the authorised share capital of the Company. Unless the shareholders otherwise approve in a general meeting, the Company shall not in issuing and allotting new shares:

- (a) allot any of them on any terms to any person unless an offer has first been made to each existing shareholder to allot to him at least on the same terms, a proportion of the new shares which is as nearly as practicable equal to the proportion in nominal value held by him of the aggregate shares in issue in the Company immediately prior to the new issue of shares; and
- (b) allot any of them to any person upon the expiration of any offer made to existing shareholders in terms of a) above. Any such shares not subscribed for by the existing shareholders may be offered for subscription to the general public under the same or other conditions which however cannot be more favourable to the public than offer made under (a).

Furthermore, the Company may, subject to such restrictions, limitations and conditions contained in the Companies Act, Cap 386 of the laws of Malta, acquire its own shares.

Grand Harbour Marina p.l.c.

Other Disclosures in terms of the Listing Rules

Pursuant to Listing Rule 9.44e.12

Related Party Transactions

Marina Services Agreement with Camper & Nicholsons Marinas Limited

Grand Harbour Marina p.l.c. ("GHM", the "Company") has entered into a Marina Service Agreement dated 1 July 2007 with Camper & Nicholsons Marinas Limited ("CNML"). The agreement is for an initial period of 3 years and shall continue in force thereafter. CNML is entitled to receive from the Company the following fees/charges:

- in respect of recruitment, operational services and auditing - 2.5% on the sum of the total amounts (gross receipts) from the marina operations with a minimum payment of GBP18,000 per annum;
- sales and marketing - GBP3,200 per month and 2.5% on licences in excess of one year;
- commissioning - sums shall be agreed from time to time in connection with projects undertaken;
- project services - charges are agreed from time to time; and
- financial controller support - a rate of GBP48 per hour for actual time spent on GHM work.

Royalty Agreement with Camper & Nicholsons (Designs) Limited

The Company had formerly entered into an agreement with CNML. The agreement dated 1 April 2004 gives right for the marina to use the name of "C&N" for its operations. CNML was entitled for branding charges of GBP1,000 per month. This agreement has been replaced by an agreement dated 1 July 2007 between GHM and Camper & Nicholsons (Designs) Limited. Under the terms of this agreement, GHM is obliged to pay Camper & Nicholsons (Designs) Limited 0.25% of turnover as royalties with a minimum amount of GBP10,000 per annum. This agreement was terminated on 19 December 2008 and replaced by another agreement with Campers & Nicholsons Marinas International Limited. Under the terms of this new agreement the Company is obliged to pay Campers & Nicholsons International Limited 0.25% of operating turnover as royalties.

Pursuant to Listing Rule 9.44e.14

Company Secretary:

Louis de Gabriele LL.D.

Registered Office:

Vittoriosa Wharf
Vittoriosa BRG 1721
Malta

Telephone (+356) 21 800 700

Grand Harbour Marina p.l.c.



**Independent Auditors' Report
on the Directors' Statement of
Compliance with the Code of Principles
of Good Corporate Governance
2008**



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Independent Auditors' Report

To the Members of Grand Harbour Marina p.l.c.

Report on the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance

Listing Rules 8.37 and 8.38 issued by the Listing Authority, require the directors of Grand Harbour Marina p.l.c. (the "Company") to include in their annual report a statement of compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance (the "Statement of Compliance"), and the effective measures they have taken to ensure compliance with these Principles.

Our responsibility, as auditors of the Company, is laid down by Listing Rule 8.39, which requires us to include a report on this Statement of Compliance.

We read the Statement of Compliance and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this statement is consistent with other information included in the annual report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance covers all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures, nor on the ability of the Company to continue in operational existence.

In our opinion, the Statement of Compliance set out on pages 7 to 11 provides the disclosures required by Listing Rules 8.37 and 8.38 issued by the Listing Authority.

Hilary Galea-Lauri (Partner) for and on behalf of

KPMG
Registered Auditors

24 March 2009

Grand Harbour Marina p.l.c.



Financial Statements 2008

GRAND HARBOUR MARINA
VITTORIOSA * MALTA

Grand Harbour Marina p.l.c.

Financial Statements 2008

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Grand Harbour Marina p.l.c.

Directors' Responsibility for the Financial Statements

The Companies Act, 1995 (the "Act") requires the directors of Grand Harbour Marina p.l.c. (the "Company") to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company as at the end of the financial period and of the profit or loss of the Company for that period in accordance with the requirements of International Financial Reporting Standards as adopted by the EU.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Act.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors, through oversight of management, are responsible to ensure that the Company establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Company's business. This responsibility includes establishing and maintaining controls pertaining to the Company's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

Signed on behalf of the Board of Directors by:



Lawrence Zammit
Chairman



Nicholas Maris
Director

Grand Harbour Marina p.l.c.

Balance Sheet

As at 31 December 2008

| | | 2008 | 2007 |
|--------------------------------------|------|-------------------|-------------------|
| | Note | € | € |
| ASSETS | | | |
| Property, plant and equipment | 11 | 8,279,146 | 8,401,470 |
| Deferred costs | | 527,770 | 476,112 |
| Total non-current assets | | 8,806,916 | 8,877,582 |
| Trade and other receivables | 13 | 583,985 | 2,383,198 |
| Cash at bank and in hand | | 2,476,870 | 6,412,413 |
| Total current assets | | 3,060,855 | 8,795,611 |
| Total assets | | 11,867,771 | 17,673,193 |
| EQUITY | | | |
| Share capital | 14 | 2,329,370 | 2,329,370 |
| Other reserve | | - | 20,888 |
| Retained earnings | | 2,234,303 | 4,624,263 |
| Total equity | | 4,563,673 | 6,974,521 |
| LIABILITIES | | | |
| Loans and other borrowings | 15 | 3,357,278 | 4,310,636 |
| Deferred tax liabilities | 12 | 5,474 | 8,926 |
| Total non-current liabilities | | 3,362,752 | 4,319,562 |
| Loans and other borrowings | 15 | 975,159 | 617,692 |
| Taxation payable | | 1,275,015 | 2,293,782 |
| Trade and other payables | 16 | 1,691,172 | 3,467,636 |
| Total current liabilities | | 3,941,346 | 6,379,110 |
| Total liabilities | | 7,304,098 | 10,698,672 |
| Total equity and liabilities | | 11,867,771 | 17,673,193 |

The notes on pages 6 to 37 are an integral part of these financial statements.

The financial statements on pages 2 to 37 were approved and authorised for issue by the Board of Directors on 24 March 2009 and signed on its behalf by:



Lawrence Zammit
Chairman



Nicholas Maris
Director

Grand Harbour Marina p.l.c.

Statement of Changes in Equity

For the Year Ended 31 December 2008

| | Share capital | Other reserve | Retained earnings | Total |
|--|-------------------------|-----------------|-------------------------|-------------------------|
| | € | € | € | € |
| Balance at 1 January 2007 | 2,329,370 | 30,634 | 712,742 | 3,072,746 |
| Profit for the year | - | - | 3,901,775 | 3,901,775 |
| Total recognised in income and expense | - | - | 3,901,775 | 3,901,775 |
| Transfer from other reserve | - | (9,746) | 9,746 | - |
| Balance at 31 December 2007 | <u>2,329,370</u> | <u>20,888</u> | <u>4,624,263</u> | <u>6,974,521</u> |
| Balance at 1 January 2008 | 2,329,370 | 20,888 | 4,624,263 | 6,974,521 |
| Loss for the year | - | - | (410,848) | (410,848) |
| Total recognised income and expense | - | - | (410,848) | (410,848) |
| Transfer from other reserve | - | (20,888) | 20,888 | - |
| Dividends paid | - | - | (2,000,000) | (2,000,000) |
| Balance at 31 December 2008 | <u>2,329,370</u> | <u>-</u> | <u>2,234,303</u> | <u>4,563,673</u> |

The notes on pages 6 to 37 are an integral part of these financial statements.

Grand Harbour Marina p.l.c.

Income Statement

For the Year Ended 31 December 2008

| | | 2008 | 2007 |
|--|------|------------------|-------------|
| | Note | € | € |
| CONTINUING OPERATIONS | | | |
| Revenue | 5 | 2,496,987 | 11,176,956 |
| Personnel expenses | 6 | (306,695) | (213,173) |
| Directors' emoluments | 7 | (44,098) | (137,987) |
| Depreciation | | (334,959) | (284,526) |
| Other expenses | 8 | (2,052,953) | (3,500,636) |
| Result from operating activities | | (241,718) | 7,040,634 |
| Finance income | | 139,840 | 22,744 |
| Finance expenses | | (296,779) | (482,905) |
| Net finance expense | 9 | (156,939) | (460,161) |
| (Loss) / profit before income tax | | (398,657) | 6,580,473 |
| Income tax expense | 10 | (12,191) | (2,678,698) |
| (Loss) / profit for the year | | (410,848) | 3,901,775 |
| (Loss) / earnings per share | | (0.04) | 0.40 |

The notes on pages 6 to 37 are an integral part of these financial statements.

Grand Harbour Marina p.l.c.

Cash Flow Statement

For the Year Ended 31 December 2008

| | | 2008 | 2007 |
|---|------|--------------------|------------------|
| | Note | € | € |
| Cash flows from operating activities | | | |
| (Loss) / profit for the year | | (410,848) | 3,901,775 |
| Adjustments for: | | | |
| Cost of super-yacht berths expensed on licensing | 11.1 | 361,643 | 936,716 |
| Depreciation | | 334,959 | 284,526 |
| Loss on disposal of plant and equipment | | 1,074 | - |
| Provision for doubtful debts | | (101,413) | 188,300 |
| Net finance costs | | 183,189 | 503,035 |
| Income tax expense | | 12,191 | 2,678,698 |
| | | 380,795 | 8,493,050 |
| Change in trade and other receivables | | 1,900,623 | (2,000,897) |
| Change in trade and other payables | | (1,631,740) | 2,199,821 |
| | | 649,678 | 8,691,974 |
| Income tax paid | | (1,018,769) | (1,268,991) |
| Net cash (used in) / from operating activities | | (369,091) | 7,422,983 |
| Cash flows from investing activities | | | |
| Acquisition of plant and equipment | | (503,003) | (829,252) |
| Proceeds from disposal of plant and equipment | | 2,125 | - |
| Net cash used in investing activities | | (500,878) | (829,252) |
| Cash flows from financing activities | | | |
| Bank loans advanced | | - | 741,197 |
| Repayment of bank and other loans | | (566,217) | (1,027,845) |
| Net interest paid | | (469,683) | (480,958) |
| Dividends paid | | (2,000,000) | - |
| Net cash used in financing activities | | (3,035,900) | (767,606) |
| Net (decrease) / increase in cash and cash equivalents | | (3,905,869) | 5,826,125 |
| Cash and cash equivalents at 1 January | | 6,323,005 | 496,879 |
| Cash and cash equivalents at 31 December | 17 | (2,417,136) | 6,323,005 |

The notes on pages 6 to 37 are an integral part of these financial statements.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

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Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

1 Reporting entity

Grand Harbour Marina p.l.c. (the “Company”) is a public limited liability company domiciled and incorporated in Malta.

2 Basis of preparation

2.1 Statement of compliance

By virtue of Regulation 3 of Legal Notice 19 of 2009, *Accountancy Profession (Accounting and Auditing Standards) Regulations, 2009*, published under the Accountancy Profession Act, compliance with generally accepted accounting principles and practice has been defined as adherence to international accounting standards as adopted by the EU. The legal notice has been deemed to come into force on 1 October 2008, and accordingly these financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU (“the applicable framework”). All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU.

The change in the applicable framework from IFRS issued by the International Accounting Standards Board, in use for the comparative period, did not result in any changes in the Company’s accounting policies, and, accordingly, no adjustment was required to the corresponding figures included in the current year’s financial statements. In addition, this change did not impact the year end financial position and the current year’s financial performance and cash flows.

These financial statements have also been prepared and presented in accordance with the provisions of the Companies Act, 1995 enacted in Malta, to the extent that such provisions do not conflict with the requirements of the applicable framework.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

These financial statements are presented in Euro (€), which is the Company’s functional currency.

On 1 January 2008, Malta adopted the Euro (€) as its currency, at which date the Maltese Lira was converted at the irrevocable fixed conversion rate of Lm0.4293 to €1. Financial information for the comparative year has been converted from Maltese Lira (Lm) into Euro (€) by applying the irrevocable fixed conversion rate.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Other than the uncertainty surrounding the estimation of the income tax provision as explained in note 20.2, in the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as significant and critical in terms of the requirements of IAS 1 (revised).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

3.2 Financial instruments

3.2.1 *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash held on deposit, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.2 Financial instruments (continued)

3.2.1 *Non-derivative financial instruments (continued)*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Accounting for finance income and expenses is discussed in note 3.10.

3.2.2 *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3.3 Property, plant and equipment

3.3.1 *Recognition and measurement*

The cost of super-yacht berths that have been completed but not yet licensed and items of plant and equipment are measured at cost less accumulated depreciation (see below) and any impairment losses (see accounting policy 3.5.2). Super-yacht berths in the course of construction are not depreciated.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. The Company recognises, in the carrying amount of an item of plant and equipment, the cost of replacing part of such an item when that cost is incurred and it is probable that the resulting future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense when incurred.

As part of its operating activities, the Company licenses out super-yacht berths over longer periods, typically for periods ranging between 25 to 30 years. The cost of such berths is apportioned between that part attributable to the initial licensing period, which is recognised immediately in profit or loss, and that part (residual amount) attributable to the time period which extends beyond the initial licensing period. The method of cost apportionment used represents a fair reflection of the pattern of future economic benefits estimated to accrue from the licensing of such berths. The residual amount is classified in the balance sheet as deferred costs.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net in profit or loss.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

3.3.2 Subsequent costs

The cost of replacing an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of the plant and equipment are recognised in profit or loss as incurred.

3.3.3 Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. Assets under the course of construction are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|-----------------------------------|----------|
| • super-yacht berths | 50 years |
| • pontoons | 25 years |
| • improvements to car park | 50 years |
| • improvements to office premises | 10 years |
| • motor vehicles | 5 years |
| • other equipment | 5 years |

In relation to the super-yacht berths, depreciation is provided up to the point in time when the long-term licensing contract is signed with the licensee, at which time the carrying amount of such berths is apportioned and accounted for as explained in 3.3.1 above.

Depreciation methods, useful lives, as well as residual values, are reassessed at the reporting date.

3.4 Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The lease of land with an indefinite economic life where title is not expected to pass to the Company by the end of the lease term, is treated as an operating lease.

Other leases are operating leases and are not recognised on the entity's balance sheet but are accounted for as discussed in note 3.9.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.5 Impairment

3.5.1 *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

3.5.2 *Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Employee benefits

The Company contributes towards the State pension in accordance with local legislation. Obligations for such contributions are recognised as an expense in profit or loss when they are due.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.7 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.8 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

3.8.1 *Licensing of long-term super-yacht berths*

Revenue from such licensing (see accounting policy 3.3.1) is recognised in profit or loss on the signing of the licensing agreements with the berth-holders.

3.8.2 *Other berthing licences and pontoon fees and revenue from ancillary services*

Such revenue is recognised in profit or loss in the year in which the services to which they relate have been rendered.

3.9 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense.

3.10 Finance income and expenses

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.11 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset since they relate to income taxes levied by the same tax authority on the same taxable entity, and their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised and/or sufficient taxable temporary difference are available. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.12 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.13 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Company's business segments only since all services are provided from Malta, from where it conducts its business.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

3 Significant accounting policies (continued)

3.14 Unrealised profits

The Act requires that only profits realised at the balance sheet date may be included as part of retained earnings available for distribution. Any unrealised profits at this date, initially taken to the credit of the income statement, are transferred to non-distributable reserves within equity.

3.15 New standards and interpretations not yet adopted

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. The Company is currently assessing the impact and expected timing of adoption of these amendments on the Company's results and financial position.

4 Financial risk management

4.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

4 Financial risk management (continued)

4.2 Credit risk

Credit risk is the risk of financial loss to the Company if a berth-holder or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from berth-holders.

4.2.1 Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each berth-holder. Credit risk with respect to receivables from short-term berth-holders is limited due to the spread of the number of berth-holders comprising the Company's debtor base. Amounts receivable with respect to the licensing of long-term berths are secured upon the signing of the relative agreement with the berth-holder.

In relation to short-term berth sales the Company has implemented a credit policy whereby berth-holders are analysed into three categories: individuals, legal entities and agents. The credit terms offered to agents include a thirty-day credit period, whereas individuals and legal entities have no credit terms.

The Company does not require collateral in respect of such receivables.

4.2.2 Cash at bank

The Company's cash is placed with a quality financial institution, such that management does not expect this institution to fail to meet repayments of amounts held in the name of the Company.

4.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

4 Financial risk management (continued)

4.3 Liquidity risk (continued)

The Company monitors its cash flow requirements on a weekly basis and ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of circumstances that cannot reasonably be predicted. In addition, the Company maintains the following lines of credit:

- secured general banking facility amounting to €1,747,030. Interest is payable at the rate of 5.5 per cent per annum (note 15); and
- a secured bank loan amounting to €7,470,000, of which €4,272,703 has been drawn down, subject to interest payable at the rate of 5.75 per cent per annum (note 15).

4.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

4.4.1 Currency risk

The Company is exposed to currency risk on expenses that are denominated in a currency other than the Company's functional currency, primarily the Great British Pound (£Stg) and the United States Dollar (USD). The Company does not hedge against exchange gains or losses which may arise on the realisation of amounts receivable and the settlement of amounts payable in foreign currencies.

4.4.2 Interest rate risk

The Company adopts a policy of ensuring that its exposure to changes in interest rates on interest-bearing borrowings is limited by entering into financial arrangements subject to fixed interest margins over the base rate established by the European Central Bank.

4.5 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as the profit for the year divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management over its years of operation. The Company is not subject to externally imposed capital requirements.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

5 Revenue

5.1 Segmental reporting

| | 2008 | 2007 |
|---|------------------|------------|
| | € | € |
| Category of activity | | |
| Licensing of long-term super-yacht berths | 1,018,475 | 10,017,463 |
| Other berthing licences and pontoon fees | 900,188 | 718,654 |
| Ancillary services | 578,324 | 440,839 |
| | 2,496,987 | 11,176,956 |
| | ===== | ===== |

5.2 Seasonality of operations

The marina derives its income from several sources some of which will produce greater revenues during the summer months and while these seasonally-affected sources are generally relatively small in relation to the overall level of sales they can make an important contribution to profitability. The timing of long term berth sales, which are neither seasonal by nature nor capable of accurate prediction, can have a more significant impact on the level of both sales and profits.

6 Personnel expenses

Personnel expenses incurred by the Company during the year are analysed as follows:

| | 2008 | 2007 |
|--|----------------|---------|
| | € | € |
| Wages and salaries | 284,328 | 198,581 |
| Compulsory social security contributions | 22,367 | 14,592 |
| | 306,695 | 213,173 |
| | ===== | ===== |

The weekly average number of persons employed by the Company during the year was as follows:

| | 2008 | 2007 |
|-------------------------------|-----------|-------|
| | No. | No. |
| Operating | 15 | 9 |
| Management and administration | 2 | 2 |
| | 17 | 11 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

7 Directors' emoluments

| | 2008 | 2007 |
|--------------|--------|---------|
| | € | € |
| Remuneration | 44,098 | 22,439 |
| Fees | - | 34,020 |
| Other | - | 81,528 |
| | ----- | ----- |
| | 44,098 | 137,987 |
| | ===== | ===== |

8 Other expenses

8.1 These expenses include the total fees charged by the auditors during 2008 for:

| | € |
|--------------------------|--------|
| Auditors' remuneration | 30,000 |
| Other assurance services | 10,000 |
| Tax advisory services | 12,590 |
| Other non-audit services | 250 |
| | ----- |
| | 52,840 |
| | ===== |

8.2 Operating leases

| 8.2.1 | | 2008 | 2007 |
|---|-------|---------|---------|
| | Note | € | € |
| Sub-groundrent on immovable property | 11.2 | 22,760 | 25,010 |
| Lease for the assignment of marina rights | 8.2.2 | 462,349 | 343,583 |
| Rent for use of premises | 8.2.3 | 43,928 | 42,103 |
| Other operating lease expenses | | 7,323 | - |
| | | ----- | ----- |
| | | 536,360 | 410,696 |
| | | ===== | ===== |

8.2.2 By virtue of the other part of the deed of sub-emphyteusis referred to in note 11.2, the Company was assigned the right to develop, construct and install, own, operate, manage, control and promote a marina and ancillary facilities, including the right to grant mooring and berthing rights to third parties under such terms and conditions as it deems fit. Under the terms of a Development and Operations Agreement dated 30 June 2000 entered into with the consortium (the other party to the agreement), the Company is required to pay the consortium a yearly fee equivalent to 10% per annum of revenue, subject to minimum and maximum limits.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

8 Other expenses (continued)

8.2 Operating leases (continued)

8.2.2 (continued)

The Company has the option to terminate the Development and Operations Agreement during the 29th year from the date of the publication of the deed of sub-emphyteusis by giving the consortium at least 12 months prior written notice. The minimum and maximum future rental payments under the lease agreement are analysed below:

| Minimum | 2008 | 2007 |
|----------------------------|-------------------|-------------|
| | € | € |
| Less than one year | 139,762 | 139,762 |
| Between one and five years | 755,299 | 640,578 |
| More than five years | 5,216,911 | 5,471,395 |
| | 6,111,972 | 6,251,735 |
| | ===== | ===== |
| Maximum | 2008 | 2007 |
| | € | € |
| Less than one year | 349,406 | 279,525 |
| Between one and five years | 1,888,248 | 1,601,444 |
| More than five years | 13,042,290 | 13,678,500 |
| | 15,279,944 | 15,559,469 |
| | ===== | ===== |

8.2.3 On 15 August 2003, the Company entered into a further deed for the lease of premises referred to as the "Capitainerie", forming part of a building unofficially known as "The Treasury Building" and situated in the same locality as the marina, for a period of 25 years. These premises are to be used by the Company for marina related services.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

| 9 | Finance income and expense | 2008 | 2007 |
|---|--|------------------|------------------|
| | | € | € |
| | Interest income | 113,591 | 22,744 |
| | Exchange gain | 26,249 | - |
| | | ----- | ----- |
| | Finance income | 139,840 | 22,744 |
| | | ----- | ----- |
| | Interest expense | (339,235) | (525,779) |
| | Interest capitalised within plant and equipment | 42,456 | 78,006 |
| | Exchange loss | - | (35,132) |
| | | ----- | ----- |
| | Finance expenses | (296,779) | (482,905) |
| | | ----- | ----- |
| | Net finance expense recognised in profit or loss | <u>(156,939)</u> | <u>(460,161)</u> |

10 Income tax expense

| 10.1 | | 2008 | 2007 | |
|------|--|------|---------------|------------------|
| | Note | € | € | |
| | Current tax expense | | | |
| | Current period | 20.2 | - | 2,552,562 |
| | Tax underprovided for in prior periods | | - | 36,417 |
| | Final withholding tax at 15% | | 15,643 | 3,413 |
| | | | ----- | ----- |
| | | | 15,643 | 2,592,392 |
| | Deferred tax expense | | | |
| | Movement in temporary differences | 12.2 | (3,452) | 86,306 |
| | | | ----- | ----- |
| | Income tax expense for the year | | <u>12,191</u> | <u>2,678,698</u> |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

10 Income tax expense (continued)

10.2 Reconciliation of income tax

The tax expense for the year and the result of the accounting (loss) / profit multiplied by the tax rate applicable in Malta, the Company's country of incorporation, are reconciled as follows:

| | 2008 | 2007 |
|---|------------------|-----------|
| | € | € |
| (Loss) / profit for the year | (410,848) | 3,901,775 |
| Total income tax expense | 12,191 | 2,678,698 |
| | ----- | ----- |
| (Loss) / profit excluding income tax | (398,657) | 6,580,473 |
| | ----- | ----- |
| Income tax using the Company domestic tax rate of 35% | (139,527) | 2,303,166 |
| Tax effect of: | | |
| • expenses not deductible for tax purposes | 172,576 | 381,190 |
| • different tax rates on bank interest received | (20,858) | (4,549) |
| Tax underprovided for in prior periods | - | 36,417 |
| Adjustment to opening deferred taxation | - | (37,526) |
| | ----- | ----- |
| Income tax expense for the year | 12,191 | 2,678,698 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

11 Property, plant and equipment

11.1

| | Total | Assets in the course of construction | | | | | | |
|------------------------------------|------------------|--------------------------------------|------------------|--|----------------|-----------------|---------------------------------|-----------------|
| | | Super-yacht berths | Pontoons | Improvements to car park and office premises | Motor vehicles | Other equipment | Super-yacht berths and pontoons | Office premises |
| | € | € | € | € | € | € | € | € |
| Cost | | | | | | | | |
| Balance at 1 January 2007 | 9,266,979 | 3,979,515 | 3,197,973 | 16,301 | 15,735 | 96,490 | 1,950,340 | 10,625 |
| Additions | 1,145,954 | 318,157 | 13,974 | 654,889 | - | 74,135 | 84,799 | - |
| Reallocations | - | - | - | 10,625 | - | - | - | (10,625) |
| Deferred costs | (93,482) | (93,482) | - | - | - | - | - | - |
| Expensed | (936,716) | (936,716) | - | - | - | - | - | - |
| Retired assets | (16,301) | - | - | (16,301) | - | - | - | - |
| Balance at 31 December 2007 | 9,366,434 | 3,267,474 | 3,211,947 | 665,514 | 15,735 | 170,625 | 2,035,139 | - |
| Balance at 1 January 2008 | 9,366,434 | 3,267,474 | 3,211,947 | 665,514 | 15,735 | 170,625 | 2,035,139 | - |
| Additions | 629,139 | 80,176 | 95,103 | 17,090 | - | 81,922 | 354,848 | - |
| Reallocations | - | 1,945,355 | 82,356 | - | - | - | (2,027,711) | - |
| Deferred costs | (51,663) | (9,530) | - | - | - | - | (42,133) | - |
| Expensed | (361,643) | (41,500) | - | - | - | - | (320,143) | - |
| Retired assets | (15,993) | - | - | - | - | (15,993) | - | - |
| Balance at 31 December 2008 | 9,566,274 | 5,241,975 | 3,389,406 | 682,604 | 15,735 | 236,554 | - | - |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

11 Property, plant and equipment (continued)

11.1 (continued)

| | Total | Super-yacht berths | Pontoons | Improvements to car park and office premises | Motor vehicles | Other equipment | Assets in the course of construction | |
|------------------------------------|------------------|--------------------|----------------|--|----------------|-----------------|--------------------------------------|-----------------|
| | | | | | | | Super-yacht berths and pontoons | Office premises |
| | € | € | € | € | € | € | € | € |
| Depreciation | | | | | | | | |
| Balance at 1 January 2007 | 713,869 | 131,829 | 490,969 | 16,301 | 12,588 | 62,183 | - | - |
| Depreciation charge for the year | 284,526 | 63,187 | 128,479 | 55,588 | 3,147 | 34,125 | - | - |
| Deferred costs | (1,398) | (1,398) | - | - | - | - | - | - |
| Expensed | (15,733) | (15,733) | - | - | - | - | - | - |
| Retired assets | (16,301) | - | - | (16,301) | - | - | - | - |
| Balance at 31 December 2007 | 964,963 | 177,885 | 619,448 | 55,588 | 15,735 | 96,308 | - | - |
| Balance at 1 January 2008 | 964,963 | 177,885 | 619,448 | 55,588 | 15,735 | 96,308 | - | - |
| Depreciation charge for the year | 334,959 | 104,840 | 135,576 | 56,794 | - | 37,749 | - | - |
| Retired assets | (12,794) | - | - | - | - | (12,794) | - | - |
| Balance at 31 December 2008 | 1,287,128 | 282,725 | 755,024 | 112,382 | 15,735 | 121,262 | - | - |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

11 Property, plant and equipment (continued)

11.1 (continued)

| | Total | Super-yacht berths | Pontoons | Improvements to car park and office premises | Motor vehicles | Other equipment | Assets in the course of construction | |
|----------------------------|------------------|--------------------|------------------|--|----------------|-----------------|--------------------------------------|-----------------|
| | | | | | | | Super-yacht berths and pontoons | Office premises |
| | | | | | | | € | € |
| Carrying amounts | | | | | | | | |
| At 1 January 2007 | 8,553,110 | 3,847,686 | 2,707,004 | - | 3,147 | 34,307 | 1,950,340 | 10,625 |
| At 31 December 2007 | 8,401,470 | 3,089,589 | 2,592,499 | 609,926 | - | 74,317 | 2,035,139 | - |
| At 1 January 2008 | 8,401,470 | 3,089,589 | 2,592,499 | 609,926 | - | 74,317 | 2,035,139 | - |
| At 31 December 2008 | 8,279,146 | 4,959,250 | 2,634,382 | 570,222 | - | 115,292 | - | - |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

11 Property, plant and equipment (continued)

11.2 Land held under title of temporary sub-emphyteusis

On the 2 June 1999, the Government of Malta entered into a deed of emphyteusis with a consortium, by virtue of which, the consortium was granted rights over parcels of land measuring 1,410 square metres and situated at Cottonera Waterfront Vittoriosa, Malta, for a period of 99 years thereon.

On the 4 September 2001, a deed of sub-emphyteusis was entered into between the Company and the consortium, whereby, by virtue of one part of this deed, the Company acquired, by the same title, immovable rights over such property for the unexpired period of the 99 years, subject to the payment of an annual sub-groundrent (note 8.2.1).

This property is hypothecated in favour of the Company's lenders as security for funds borrowed (note 15.4).

12 Deferred tax assets and liabilities

12.1 Recognised deferred tax assets and liabilities

| | Assets | | Liabilities | | Net | |
|-------------------------------|----------------|--------|------------------|----------|----------------|----------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | € | € | € | € | € | € |
| Plant and equipment | - | - | (371,866) | (76,583) | (371,866) | (76,583) |
| Provision for doubtful debts | 32,163 | 67,657 | - | - | 32,163 | 67,657 |
| Unabsorbed capital allowances | 334,229 | - | - | - | 334,229 | - |
| | 366,392 | 67,657 | (371,866) | (76,583) | (5,474) | (8,926) |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

12 Deferred tax assets and liabilities (continued)

12.2 Movement in temporary differences during the year

| | Balance 1 January 07 | Recognised in profit or loss | Balance 31 December 07 |
|-------------------------------|-------------------------|---------------------------------|---------------------------|
| | € | € | € |
| Plant and equipment | 93,872 | (170,454) | (76,582) |
| Exchange differences | (16,492) | 16,492 | - |
| Provision for doubtful debts | - | 67,656 | 67,656 |
| | ----- | ----- | ----- |
| | 77,380 | (86,306) | (8,926) |
| | ===== | ===== | ===== |
| | Balance 1 January 08 | Recognised in profit or loss | Balance 31 December 08 |
| | € | € | € |
| Plant and equipment | (76,582) | (295,283) | (371,865) |
| Provision for doubtful debts | 67,656 | (35,494) | 32,162 |
| Unabsorbed capital allowances | - | 334,229 | 334,229 |
| | ----- | ----- | ----- |
| | (8,926) | 3,452 | (5,474) |
| | ===== | ===== | ===== |

13 Trade and other receivables

| 13.1 | | 2008 | 2007 |
|-----------------------------------|------|---------|-----------|
| | Note | € | € |
| Trade receivables | | 312,586 | 363,643 |
| Amounts due from related party | 13.2 | - | 7,056 |
| VAT receivable from berth-holders | 16.1 | - | 1,787,400 |
| Vat recoverable | | 11,355 | 34,883 |
| Other debtors | | 49,921 | 4,227 |
| Prepayments | | 210,123 | 185,989 |
| | | ----- | ----- |
| | | 583,985 | 2,383,198 |
| | | ===== | ===== |

13.2 The amount due from the related party is interest free and repayable on demand.

13.3 The Company's exposures to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 18.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

14 Equity

| 14.1 Share capital | 2008 | 2007 |
|--|------------------|-----------|
| | € | € |
| Authorised share capital | | |
| 10,000,000 ordinary shares of €0.232937 each | 2,329,373 | 2,329,373 |
| | ===== | ===== |
| Issued share capital | | |
| On issue at 1 January and 31 December | | |
| 10,000,000 ordinary shares of €0.232937 each | 2,329,373 | 2,329,373 |
| | ===== | ===== |

14.2 Shareholders are entitled to vote at meetings of the Company on the basis of one vote for each share held. They are entitled to receive dividends as declared from time to time and rank *pari passu* with respect to any distribution, whether of dividends or capital, in a winding up or otherwise.

14.3 Dividends

During the year, dividends amounting to €2,000,000 (€0.20 per qualifying share) were paid to the Company's shareholders on account of last year's profit.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

15 Loans and other borrowings

| 15.1 | 2008 | 2007 |
|--------------------------------|------------------|------------------|
| | € | € |
| Bank loan | 4,272,703 | 4,605,982 |
| Bank overdraft | 59,734 | 89,408 |
| Loan due to related party | - | 232,938 |
| | <u>4,332,437</u> | <u>4,928,328</u> |
| | ===== | ===== |
| Non-current liabilities | | |
| Bank loan | 3,357,278 | 4,310,636 |
| | <u>3,357,278</u> | <u>4,310,636</u> |
| | ===== | ===== |
| Current liabilities | | |
| Bank loan | 915,425 | 295,346 |
| Bank overdraft | 59,734 | 89,408 |
| Loan due to related party | - | 232,938 |
| | <u>975,159</u> | <u>617,692</u> |
| | ===== | ===== |

15.2 Terms and debt repayment schedule

| | | | | Face value and carrying amount | |
|---------------------------|----------|-----------------------|------------------|--------------------------------|------------------|
| | | | | 2008 | 2007 |
| | Currency | Nominal interest rate | Year of maturity | € | € |
| Secured bank loan | Euro | 5.75% | 2013 | 4,272,703 | 4,605,982 |
| Bank overdraft | Euro | 5.50% | On demand | 59,734 | 89,408 |
| Loan due to related party | Euro | 7.50% | 2008 | - | 232,938 |
| | | | | <u>4,332,437</u> | <u>4,928,328</u> |
| | | | | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

15 Loans and other borrowings (continued)

15.3 General banking facility

The Company enjoys a general banking facility up to an amount of €1,747,030 for working capital and bridging finance requirements in connection with the completion and operation of the marina. This facility includes the issuance of two Performance Bonds in favour of the Director of Lands and Malta Environmental and Planning Authority for €582,343 and €34,941, respectively.

In the event that the Company is in default in the performance of any of its obligations as contemplated under the agreement referred to in note 8.2.2, and the Government of Malta calls upon the performance bond up to an amount beyond €582,343, the Company shall be obliged to reimburse the consortium any excess beyond that amount so paid to the Government of Malta.

15.4 Security

The bank borrowings are secured by:

- a first general hypothec for €1,747,030 on overdraft basis and for €4,272,703 (originally for €6,615,420) on loan basis over all the Company's assets, present and future; and
- a first special hypothec for €1,747,030 on overdraft basis and for €4,272,703 (originally for €6,615,420) on loan basis on land held by the Company under title of temporary sub-emphyteusis (note 11.2); and
- a floating charge over cash balances held with HSBC Bank (Malta) p.l.c.; and
- other security which does not attach to the Company's assets.

16 Trade and other payables

| 16.1 | | 2008 | 2007 |
|---------------------------------|------|------------------|------------------|
| | Note | € | € |
| Trade payables | | 64,970 | 65,621 |
| Amounts owed to related parties | 16.2 | 74,699 | 319,462 |
| VAT payable | 13.1 | - | 1,787,400 |
| Other payables | | 35,856 | 8,039 |
| Accruals and deferred income | | 1,515,647 | 1,287,114 |
| | | 1,691,172 | 3,467,636 |
| | | ===== | ===== |

16.2 The amounts owed to the related parties are unsecured, interest free and repayable on demand.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

16 Trade and other payables (continued)

16.3 The Company's exposures to currency and liquidity risks related to trade and other payables are disclosed in note 18.

17 Cash and cash equivalents

| 17.1 | | 2008 | 2007 |
|--|------|-----------|-----------|
| | Note | € | € |
| Cash in hand | | 900 | 2,061 |
| Term deposit bank account | 17.2 | 1,966,529 | 4,609,502 |
| Other bank balances | | 509,441 | 1,800,850 |
| | | ----- | ----- |
| Cash and cash equivalents | | 2,476,870 | 6,412,413 |
| Bank overdraft used for cash management purposes | 15.1 | (59,734) | (89,408) |
| | | ----- | ----- |
| Cash and cash equivalents in the statement of cash flows | | 2,417,136 | 6,323,005 |
| | | ===== | ===== |

17.2 The Company holds this amount on a 7-day term deposit account, renewable for further periods of 7 days unless it instructs otherwise, which is pledged. By virtue of the pledge agreement, the Company benefits from a lower interest rate on the bank loan it has availed of from its bankers (note 15.2). Funds pledged in this way are only withdrawn by the Company by giving notice in advance of the lapse of the 7-day period.

18 Financial instruments

18.1 Credit risk

18.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

| | Carrying amount | |
|-----------------------------------|-----------------|-----------|
| | 2008 | 2007 |
| | € | € |
| Trade receivables | 312,586 | 363,643 |
| VAT receivable from berth-holders | - | 1,787,400 |
| Other receivables | 49,921 | 11,283 |
| | ----- | ----- |
| | 362,507 | 2,162,326 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

18 Financial instruments (continued)

18.1 Credit risk (continued)

18.1.1 Exposure to credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

| | | Carrying amount | |
|----------------------------------|------|-----------------|-----------|
| | | 2008 | 2007 |
| | Note | € | € |
| Individual | | 101,317 | 248,509 |
| Legal entities | | 165,847 | 209,776 |
| Agents | | 137,317 | 98,666 |
| | | ----- | ----- |
| | | 404,481 | 556,951 |
| Amounts provided for (see below) | | (91,895) | (193,308) |
| | | ----- | ----- |
| Carrying amount | 13.1 | 312,586 | 363,643 |
| | | ===== | ===== |

The Company's most significant customers relate, in the main, to five agents.

Trade receivables that are less than thirty days past due are not considered impaired. As of 31 December 2008, trade receivables amounting to €235,912 (2007: €295,635) were past due but not impaired. These relate to a number of berth-holders which are considered as slow-payers but still recoverable. The ageing analysis of these trade receivables is as follows:

| | 2008 | 2007 |
|---------------|---------|---------|
| | € | € |
| 1 to 2 months | 147,187 | 117,368 |
| 2 to 4 months | 50,722 | 101,978 |
| Over 4 months | 38,003 | 76,289 |
| | ----- | ----- |
| | 235,912 | 295,635 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

18 Financial instruments (continued)

18.1 Credit risk (continued)

18.1.1 Exposure to credit risk (continued)

As of 31 December 2008, receivables from berth-holders for berthing services provided by the Company amounting to €91,895 (2007: €193,308) were impaired and provided for. The ageing of these receivables is as follows:

| | 2008 | 2007 |
|-----------------|--------|---------|
| | € | € |
| 4 to 12 months | 35,768 | 107,378 |
| 12 to 24 months | 28,976 | 69,655 |
| Over 24 months | 27,151 | 16,275 |
| | ----- | ----- |
| | 91,895 | 193,308 |
| | ===== | ===== |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | 2008 | 2007 |
|---|-----------|---------|
| | € | € |
| Balance at 1 January | 193,308 | 5,008 |
| Impairment (reversed) / charge recognised | (101,413) | 188,300 |
| | ----- | ----- |
| Balance at 31 December | 91,895 | 193,308 |
| | ===== | ===== |

Impairment losses at 31 December 2008 relate to various short-term berth-holders that were slow-payers and, based on historic default rates, management believes that an impairment allowance is necessary.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

18 Financial instruments (continued)

18.2 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

| Financial liabilities | Carrying amount | Contractual cash flows | 6 Months or less | 6 - 12 Months | 1 - 2 Years | 2 - 5 Years |
|---------------------------|------------------|------------------------|------------------|------------------|--------------------|--------------------|
| | € | € | € | € | € | € |
| 31 December 2007 | | | | | | |
| Secured bank loan | 4,605,982 | (5,570,818) | (302,499) | (302,499) | (2,349,993) | (2,615,827) |
| Bank overdraft | 89,408 | (89,408) | (89,408) | - | - | - |
| Loan due to related party | 232,938 | (316,788) | (316,788) | - | - | - |
| | <u>4,928,328</u> | <u>(5,977,014)</u> | <u>(708,695)</u> | <u>(302,499)</u> | <u>(2,349,993)</u> | <u>(2,615,827)</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| 31 December 2008 | | | | | | |
| Secured bank loan | 4,272,703 | (4,808,135) | (550,000) | (550,000) | (2,200,000) | (1,508,135) |
| Bank overdraft | 59,734 | (59,734) | (59,734) | - | - | - |
| | <u>4,332,437</u> | <u>(4,867,869)</u> | <u>(609,734)</u> | <u>(550,000)</u> | <u>(2,200,000)</u> | <u>(1,508,135)</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

18 Financial instruments (continued)

18.3 Interest rate risk

As at balance sheet date, the Company's exposure to changes in interest rates on bank accounts held with financial institutions and interest-bearing borrowings was limited. The Company is subject to changes in base interest rates as may be announced by the European Central Bank from time to time.

18.4 Exposure to currency risk

Given the current exposure of the Company to currencies other than the Euro, the impact of any fluctuations in exchange rates will not have a material bearing on the results and financial position of the Company.

18.5 Fair values

At balance sheet date the carrying amount of financial assets and financial liabilities approximated their fair values.

19 Capital commitments

| | 2008 | 2007 |
|------------------------------------|----------------|-----------|
| | € | € |
| Authorised and contracted for: | | |
| Plant and equipment | 78,000 | - |
| Costs incidental to acquisition | - | 116,469 |
| | 78,000 | 116,469 |
| Authorised but not contracted for: | | |
| Plant and equipment | 86,000 | 74,000 |
| Marina berthing facilities | 10,000 | 1,004,999 |
| Onshore facilities | 260,000 | 244,000 |
| Costs incidental to acquisition | - | 24,000 |
| | 356,000 | 1,230,530 |
| | 434,000 | 1,346,999 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

20 Contingencies

20.1 Litigation and claims

At balance sheet date, the Company had a claim for an amount of €160,084 for contract works carried out by a third party at the marina, which it is disputing. While liability is not admitted, if defence against this action is unsuccessful, the amount could become due. The directors do not expect the Company to be found liable.

20.2 Income tax provision

During 2007, as part of its operating activities, the Company concluded, by virtue of public deeds, three long-term super-yacht berth licensing agreements, the effect of which, based on notarial advice, was the transfer from the Company of real rights over immovable property. Such transfers have been subject to a final withholding tax of 12% on the consideration received, paid on the registration of the deeds.

It is still uncertain whether such transactions give effect to transfers of real or personal rights. Should the view taken be such that these represent the transfer of personal rights, the Company will become taxable at the rate of 35%, on its taxable income for the year.

Provision has been made in the financial statements for estimated amount of taxation at the rate of 35% on the taxable income for that year, on the basis that such transfers are not subject to the final withholding tax of 12%. In the event that the amount of actual tax due differs from the amount provided for, the difference will impact the taxation charge for that period when the tax treatment is determined, the financial effect of which is estimated to reduce such charge by €1,360,962, and create a deferred tax credit amounting to €120,948 on the resulting unrelieved tax loss.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

21 Related parties

21.1 Parent and ultimate controlling party

The Company is a subsidiary of Camper & Nicholsons Marina Investments Limited ("CNMI"), the registered office of which is situated at Fort Management Services Limited, 31-33 Le Pollet, St Peter Port, Guernsey GY1 3YR. CNMI prepares the consolidated financial statements of the Group of which Grand Harbour Marina p.l.c. forms part. These financial statements are filed and available for public inspection at the Financial Services Centre in Guernsey. CNMI is considered to be the ultimate controlling party of the Company.

21.2 Key management personnel

Key management compensation is disclosed in note 7.

21.3 Other transactions with key management personnel

Details of shareholdings held by the directors are set out in the Shareholder Register Information included in the Annual Report.

21.4 Other related party transactions

During the year, the Company entered into the following transactions with related parties:

| | 2008 | 2007 |
|--|---------|---------|
| | € | € |
| Camper & Nicholsons Marinas Limited | | |
| As per Marina Services Agreement: | | |
| • Recruitment, operational services and auditing (2.5% of revenue subject to a minimum fee of GBP18,000 per annum) | 66,210 | 267,601 |
| • Sales and marketing (fixed fee of GBP3,200 per month) | 48,164 | 26,017 |
| • Commissions payable on licensing of long-term super-yacht berths (2.5% on amounts received) | 25,447 | 246,909 |
| • Management, finance and other related services | 362,991 | 148,225 |
| | ----- | ----- |
| | 502,812 | 688,752 |
| | ----- | ----- |
| carried forward | 502,812 | 688,752 |
| | ----- | ----- |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2008

21 Related parties (continued)

21.4 Other related party transactions (continued)

| | 2008 | 2007 |
|--|----------------|---------|
| | € | € |
| brought forward | 502,812 | 688,752 |
| <hr/> | | |
| Camper & Nicholsons (Designs) Limited | | |
| As per Trade Mark Licence Agreement: | | |
| • Royalty fees (0.25% of revenue subject to a minimum amount of GBP10,000 per annum) | 10,524 | 26,760 |
| <hr/> | | |
| Interest payable on loan due to a related party (note 15.2) | 5,623 | 17,724 |
| <hr/> | | |
| Expensed | 518,959 | 733,236 |
| <hr/> <hr/> | | |

Grand Harbour Marina p.l.c.



Independent Auditors' Report on the Financial Statements 2008



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Independent Auditors' Report

To the Members of Grand Harbour Marina p.l.c.

Report on the Financial Statements

We have audited the financial statements of Grand Harbour Marina p.l.c. (the "Company") as set out on pages 2 to 37, which comprise the balance sheet as at 31 December 2008 and the statement of changes in equity, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

As described on page 1, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 179 of the Companies Act 1995 enacted in Malta (the "Act") and may not be appropriate for any other purpose.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Independent Auditors' Report (continued)

To the Members of Grand Harbour Marina p.l.c.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

We also report to you our opinion as to whether the financial statements are properly prepared in accordance with the Act. In addition, we report to you if, in our opinion:

- the information given in the Directors' Report is not consistent with the financial statements; or
- the Company has not kept proper accounting records; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit, or if the information specified by Article 31(o) of the Third Schedule to the Act regarding any directors' emoluments is not disclosed, in which case we are required to include a statement in our report giving the required particulars.

We read the Directors' and Other Statutory Reports and consider the implications for our report if we become aware of any material misstatements of fact within them.

Opinion

In our opinion, the financial statements have been properly prepared in accordance with the Companies Act 1995 enacted in Malta.

Hilary Galea-Lauri (Partner) for and on behalf of

KPMG
Registered Auditors

24 March 2009

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