Grand Harbour Marina p.l.c.

Annual Report

2018

Company Registration Number: C 26891

Grand Harbour Marina p.l.c.

Grand Harbour Marina p.l.c.

Chairman's Statement

Year Ended 31 December 2018

Overview

Summary of Group Results (assuming a proportional consolidation of the investment in joint venture)

	2018			2017		
	Grand Harbour Marina	**45% Share of IC Cesme**	**Combined**	Grand Harbour Marina	45% Share of IC Cesme	Combined
	€m	**€m**	**€m**	€m	€m	€m
Revenues	**4.73**	**1.87**	**6.60**	4.13	2.17	6.30
EBITDA	**1.58**	**0.62**	**2.20**	1.52	0.35	1.87
Profit/ (loss) before tax	**0.72**	**0.16**	**0.88**	0.36	(0.13)	0.23
Profit after tax	**0.40**	**0.02**	**0.42**	0.00	0.05	0.05

All figures above are shown before applying IFRS 11 which would exclude the results of the Group's joint ventures from the detailed lines of the Statement of profit or loss and other comprehensive income.

Grand Harbour Marina p.l.c. Consolidated

The Consolidated Financial Statements for the year ended 31 December 2018 include the 45% beneficial interest of Grand Harbour Marina p.l.c. ("**GHM**" or the "**Company**", as the case may be) in IC Cesme Marina Yatirim, Turizm ve Isletmeleri Anonim Sirketi ("**IC Cesme**"), and the results of a wholly owned subsidiary, Maris Marine Limited ("**MML**"), the latter being immaterial.

Total revenue at GHM increased from €4.13 million to €4.73 million, while the Group's share of revenues at IC Cesme amounted to €1.87 million in 2018 compared to €2.17 million in 2017.

Grand Harbour Marina p.l.c.

Chairman's Statement (continued)

Year Ended 31 December 2018

Grand Harbour Marina

			Annual Results		
€m	***2018***	*2017*	*2016*	*2015*	*2014*
Marina operating revenues	**4.7**	4.1	4.2	3.7	3.4
Direct costs	**(1.2)**	(0.9)	(1.0)	(0.8)	(0.8)
Operating expenses	**(1.9)**	(1.9)	(1.7)	(1.6)	(1.6)
EBITDA	**1.6**	1.3	1.5	1.3	1.0
PBT	**0.6**	0.4	0.5	0.2	-
Capital expenditure	**0.2**	0.2	0.1	-	0.1

GHM has seen a plethora of activity and exciting projects over the past year. The promenade is continuously expanding and is being transformed into the island's latest gastro hub, with four new high-end establishments opening up this coming summer season forming part of a project which is expected to generate interest by our resident and visiting boat owners, captains and crew. March 2019 saw the inauguration of the American University in Malta (AUM) located along the waterfront which will welcome a variety of students from all over the world.

2018 saw the Golden Jubilee Edition of the famous Middle Sea Race. As per tradition, GHM hosted a number of Maxi Yachts and organised a private viewing for clients to watch the start of the race. Other activities included the Super League Series Triathlon, the arrival of the Maiden Factor and the installation of our first Sea Bin in the marina in order to reinforce and promote sustainability in the maritime sector. In fact numerous clean up campaigns were organised along the waterfront and foreshore of the harbour which saw staff, yacht crew, and boat owners working together to promote marine conservation. The Company will also be once again hosting the drinks reception for the prestigious Opportunities in Superyachts Conference which is now in its' 7th year and which will bring delegates and key industry leaders together to discuss fundamental issues surrounding the superyacht industry.

Trading

Sales revenues registered an all-time high during 2018, with superyacht visitors contributing to such figures and largely compensating for the marginal decreases in both annual and seasonal contracts. With operating costs kept on the same levels as 2017, the Company registered EBITDA of €1.6 million, higher than 2017 by €0.3 million. With net finance costs primarily made up of the bond interest cost of €0.6 million, and depreciation of €0.3 million, the Company achieved a €0.6 million profit before tax (2017: €0.4 million). GHM paid no dividend (2017: €nil) during the year.

Valuation

CBRE valued 100% of GHM at €23.43 million as at 31 December 2018 (2017: €23.4 million). This valuation compares with the market capitalisation of GHM on the Malta Stock Exchange on 25 March 2019 of €13.70 million.

Grand Harbour Marina p.l.c.

Chairman's Statement (continued)

Year Ended 31 December 2018

Grand Harbour Marina (continued)

Corporate Social Responsibility

The Company has continued to support the Cottonera community, and supported events organised by the Local Council of Vittoriosa, namely 'Birgu by Candlelight' and Christmas activities for children and elderly people. Our collaboration with the Malta Maritime Museum has also continued, whilst donations have been given to the Malta Community Chest Fund and Puttinu Cares.

In carrying on its business, the Company is fully aware of its obligation to preserving the environment and has in place a number of policies aimed at respecting the environment and reducing waste. In this respect, the Company contributed to the installation of the first Sea Bin to the marina, and organised numerous clean up campaigns along the waterfront and foreshore of the harbour.

IC Cesme Marina

	Annual Results (for 100% of the Marina)				
€m	***2018***	*2017*	*2016*	*2015*	*2014*
Seaside revenues	**2.3**	2.7	3.1	3.1	2.8
Landside revenues	**1.9**	2.1	2.3	2.2	2.0
Total revenues	**4.2**	4.8	5.4	5.3	4.8
Direct costs	**(0.3)**	(0.3)	(0.4)	(0.3)	(0.4)
Operating expenses	**(2.5)**	(3.7)	(2.9)	(2.9)	(2.2)
EBITDA	**1.4**	0.8	2.1	2.1	2.2
PBT	**0.4**	(0.3)	1.0	0.8	0.8
Capital expenditure	**0.1**	0.1	0.1	0.1	0.1

Towards the end of 2018, agreement was reached with the Turkish Government that the Build-Operate-Transfer (BOT) contract, under which IC Cesme operates the marina, would be extended by 33 years such that the contract now ends in early 2067. The initial cost of this extension is a one-off fee of €2.1 million (Group's 45% share €0.94 million) and the first instalment of €0.5 million was paid in December 2018 with 4 further equal annual payments required commencing in December 2019. IC Cesme's annual rent will be revised at the end of the current BOT term in 2034.

The marina won a further award during 2018 with an accolade at the Green World Awards held at the Ministry of Environment & Urbanization in Ankara, Turkey, for the Olive oil project at the marina. There have been other environmental projects trialled at IC Cesme Marina including the provision of suspended mussel nets and The Squid Project, providing a site for propagation.

In August, IC Cesme supported again the Arkas Aegean Link Regatta which attracted a record 51 sailing yachts to the 2018 race with approximately 500 yacht crew taking part over 5 days of the Regatta. In addition, IC Cesme hosted a number of other non-marine events for boat owners and marina visitors in addition to activities for captains and crew.

Given the Turkish political environment and the lack of European and international yacht traffic to the Turkish coast generally, IC Cesme management has been focused on both retaining existing Turkish clients as well as attracting new ones. Although there continues to be a high turnover of customers at IC Cesme, with 135 boats leaving throughout 2018 mainly due to changing location or sale of the boat, the marina attracted 94 new boats during the year with over 50% being returning customers or customers converting from seasonal contracts. Although the average berthing area of the new berths was around 10% higher than the leavers, with the net loss of boats, there was a net reduction in the berthing area let.

IC Cesme Marina (continued)

At the end of 2018, there were 321 (2017: 362) boats on annual contracts with a further 38 (2017: 44) boats contracted on a seasonal basis. The retail properties remained fully occupied during the year with management actively managing the tenants to ensure maximum revenues are generated from the retail offering.

Trading

IC Cesme Marina, the Company's 45% joint venture with IC Holdings, improved performance to above the 2017 level but without managing to recover to the levels seen in 2016 and prior years. Political and economic uncertainties remained throughout the year with these factors contributing to a further 27% reduction in the average value of Turkish Lira against the Euro which changed from 4.12 in 2017 to 5.68 (and went as high as 7.7) in 2018. Management continued to work with local boat owners to retain as many berth holders as possible as, with prices in Euros, they were being impacted by significant price increases. In October 2018 pricing was however changed to be in Turkish Lira in line with Government guidelines.

Revenues in 2018 reduced by €0.6 million or 15% from 2017 with all of the reduction caused by the weak Turkish currency - in local currency, revenues increased by nearly 20% with landside and seaside at similar levels. Operating expenses, excluding depreciation, decreased to €2.5 million with reduced operator fees, the benefit of the weak Turkish currency applied to some local costs and a €0.8 million reduction in the adverse exchange impact. After net finance charges and depreciation of €0.2 million and €0.8 million respectively, IC Cesme made a profit before tax of €0.4 million (2017: loss before tax of €0.3 million). Breakeven profit after tax (2017profit after tax of €0.1 million) reflected a tax charge of €0.3 million (2017: €0.4 million tax credit) in the year.

The Group's 45% share of IC Cesme's after tax profits was just above breakeven (2017: after tax profits of €0.05 million) and this is included within its total share of profits of equity accounted investees, net of tax.

Valuation

CBRE valued 100% of IC Cesme Marina at €17.6 million as at 31 December 2018 which maintains their €17.6 million valuation as at 31 December 2017. This reflected the positive impact of the extension of the BOT contract being offset by the negative impact of the weak local currency on the marina financials when reported in Euros.

Group Outlook

The Group results of 2018 highlight the positive developments at Grand Harbour Marina and the difficulties that are still being posed by the weakening if the Turkish Lira. However overall, the Group registered a marked increase in profitability before tax.

The Board of Directors continues to explore opportunties for development both in Malta and abroad, in spite of inetrnational economic and political uncertainties. In this regard, the continued backing of its major shareholder, Camper & Nicholsons Marina Investments Ltd, and of our joint venture partners in Turkey, Ibrahim Cecen Investment Holding AS will help the Group to strengthen its operating base and add shareholder value.

Lawrence Zammit
Chairman

Grand Harbour Marina p.l.c.

Directors' Report

Year Ended 31 December 2018

The directors have prepared this director's report for the Company in accordance with Article 177 of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "**Act**") including the further provisions as set out in the Sixth Schedule to the Act.

Board of Directors

Lawrence Zammit (Chairman)****
Franco Azzopardi
David Martin Bralsford
Roger St John Hulton Lewis***
Sir Christopher Lewinton**
Clive Peter Whiley*
Victor Lap-Lik Chu
Elizabeth Ka-Yee Kan****

* Clive Peter Whiley has taken a temporary leave of absence from his post of Chief Executive Officer ("CEO") of the Company with effect from the 23 April 2018. The Chairman of the Company Lawrence Zammit was temporarily fulfilling the role of CEO of the Company until 31 January 2019.

** Sir Christopher Lewinton did not seek re-election to the Board of Directors at this year's Annual General Meeting and accordingly ceased to be a director with effect from 15 June 2018.

*** Mr Roger St John Hulton Lewis resigned from his position as Director of the Company with effect from 11 December 2018.

**** On the 1 February 2019, the Company announced that Mr Lawrence Zammit, the Chairman, has ceased to be an interim CEO and Ms Elizabeth Ka-Yee Kan has been appointed as CEO of the Company, with effect from 1 February 2019.

Principal Activities

The principal activities of the Company and its joint venture are the acquisition, development, operation and management of marinas. The Company is geared towards providing a high quality service to yachts, with a particular emphasis on superyachts, which by their very nature, demand high level marina related services. Currently the Company owns the Grand Harbour Marina in Malta and the 45% interest in IC Cesme in Turkey. The marinas are operated and managed in association with the internationally well-known company Camper & Nicholsons Marinas Limited ("**CNML**"), a company largely involved in the management and operation of marinas worldwide.

The principal activity of the Company and its joint venture entity is therefore to seek prospective customers to berth their vessels within the facilities at the Grand Harbour Marina in Vittoriosa, Malta, and at IC Cesme 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 reviews the development of the business of the Company and its joint venture for the year under review. The results of its operations are set out in the Statements of Profit or Loss and Other Comprehensive Income.

The financial position at 31 December 2018, as disclosed in the Statements of Financial Position as at this date reflects a healthy state of affairs.

Future Developments

The directors continue to place emphasis on improving operating efficiency at both GHM and IC Cesme to strengthen the sustainability of the Company.

Furthermore the directors have confidence that the investment in IC Cesme will continue reaping benefits, thereby generating increasing value for the shareholders.

Principal Risks and Uncertainties

A financial risk management overview is given in note 29 to the financial statements and presents information about the Company's and Group's exposure to risk, the objectives, policies and processes for measuring and managing risk and the Company's management of capital. Apart from the risks explained under that note which also form an integral part of this report the Company is exposed to other principal business and operational risks as explained below.

The financial performance of the Company partly depends on the timing, number and extent of berth sales. Whereas the Company's business model has been shifting towards a financial performance based on the maximisation of marina occupancy and closer management of costs, there inevitably remains an exposure, to a certain extent, to the risks associated with the trends and future outlook of the berth sale 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.

Going Concern

The Directors have reviewed the Company's budget for the next financial year and other long term plans. On the basis of this review, after making enquiries, and in the light of the current financial position and, the existing banking facilities and other funding arrangements, the directors confirm, in accordance with Listing Rule 5.62, that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Dividends and Reserves

There was no dividend payment during 2018 (2017: no dividend payment).

The movements on reserves and the amounts carried forward to next year are as set out in the Statement of Changes in Equity.

Auditors

KPMG have expressed their willingness to continue in office. A resolution proposing the reappointment of KPMG as auditors of the Company will be submitted at the forthcoming Annual General Meeting.

Disclosure in terms of the Listing Rules

Pursuant to Listing Rule 5.64

Share capital structure

The Company's authorised and issued share capital is two million and four hundred thousand (€2,400,000) divided into twenty million (20,000,000) ordinary shares. 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 11 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;

Disclosures in terms of the Listing Rules (continued)

Pursuant to Listing Rule 5.64 (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 2018, Camper & Nicholsons Marina Investments Limited holds 15,834,418 shares in the Company, equivalent to 79.17% of its total issued share capital. In addition, the Company is informed that HSBC Bank Malta p.l.c. (as custodian/trustee) holds in aggregate 1,523,666 shares in the Company (representing 7.73% of the total issued share capital). No persons hold any indirect shareholding in excess of 5% of its total issued share capital.

Appointment/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 200,000 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 thereof may make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting.

(b) Shareholders are granted a period of at least fourteen (14) days to nominate candidates for 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 candidate's acceptance to be nominated as director, shall on pain of disqualification be made on the form to be prescribed by the directors from time to time and shall reach the Office 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.

Disclosures in terms of the Listing Rules (continued)

Pursuant to Listing Rule 5.64 (continued)

Appointment/Replacement of Directors (continued)

(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.

(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 (either by a show of hands or through a poll). 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, 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 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 and shall be valid until the conclusion of the next annual general meeting.

Procedures for amendment 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;

Disclosures in terms of the Listing Rules (continued)

Pursuant to Listing Rule 5.64 (continued)

Procedures for amendment to the Memorandum and Articles of Association (continued)

(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.

If one of the aforesaid majorities is obtained but not both, another meeting shall be duly convened within 30 days 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 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 members' 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

Grand Harbour Marina p.l.c.

Directors' Report (continued)

Year Ended 31 December 2018

Disclosures in terms of the Listing Rules (continued)

Pursuant to Listing Rule 5.64 (continued)

Board members' powers (continued)

(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, acquire its own shares.

Save as otherwise disclosed herein, the provisions of Listing Rules 5.64.2, 5.64.4 to 5.64.7, 5.64.10 and 5.64.11 are not applicable to the Company.

Approved by the Board of Directors on 25 March 2019 and signed on its behalf by:

Lawrence Zammit Chairman	Franco Azzopardi 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 5.68, we, the undersigned, declare that, to the best of our knowledge, the financial statements included in this 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, and financial position of Grand Harbour Marina p.l.c., and that this report includes a fair review of the development and performance of the business and position of Grand Harbour Marina p.l.c., together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors on 25 March 2019 by:

Lawrence Zammit
Chairman

Franco Azzopardi
Director

Grand Harbour Marina p.l.c.

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

Introduction

Pursuant to the Listing Rules issued by the Listing Authority, the Company as a company whose equity securities are listed on a regulated market should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 of the Listing Rules (the "**Code**"). In terms of Listing Rule 5.94, the Company is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Listing Rules, the Company is hereby reporting on the extent of its adoption of 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.

Good corporate governance is the responsibility of the Board, and in this regard the Board has carried out a review of the Company's compliance with the Code during the period under review. As demonstrated by the information set out in this statement, the Company believes that it has, save as indicated herein the section entitled "Non-Compliance with the Code", throughout the accounting period under review, applied the principles and complied with the provisions of the Code. In the Non-Compliance Section, the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

Part 1: Compliance with the Code

Principle 1: The Board

The Board's principal purpose is to provide the required leadership of the Company, to set the present and future strategy of the Company and to ensure proper oversight and accountability.

The Board currently comprises five non-executive directors, including the Chairman and one executive director, namely Elizabeth Ka-Yee Kan, who was appointed as CEO of the Company with effect from 1 February 2019. All of the directors were elected by the shareholders in general meeting.

The directors, *inter alia,* exercise prudent and effective control, are accountable for their or their delegates' actions or inactions, regularly review management performance and have a broad knowledge of the business of the Group. The directors are aware of their statutory and regulatory requirements. They allocate sufficient time to perform their responsibilities and regularly attend Board meetings.

The Board delegates specific responsibilities to the Audit Committee. Further details in relation to the responsibilities of the Board and the Audit Committee are found in Principles 4 and 5 of this Statement respectively.

Principle 2: Chairman and Chief Executive

As reported in Part 2 (Non-Compliance with the Code), owing to supervening events, the position of Chairman and Chief Executive were temporarily vested in the same person during the course of 2018. Save for the period during which there was an overlap, the roles of the CEO and of the Chairman are separate from each other.

Indeed, the Chairman remains responsible to lead the Board and to set its agenda. The Chairman ensures that the Board's discussions on any issue put before it go into adequate depth, that the opinions of all the directors are taken into account, and that all the Board's decisions are supported by adequate and timely information. The Chairman was also entrusted to ensure that the Company's executive and management team develop a strategy which is agreed to by the Board.

Part 1: Compliance with the Code (continued)

Principle 2: Chairman and Chief Executive (continued)

On the other hand, as CEOs of the Company during different periods in 2018, Clive Whiley and Lawrence Zammit respectively led the Company's management team and ensured that the Company was being managed in line with the strategies and policies set by the Board.

Principle 3: Composition of the Board

At the beginning of 2018, the Board was composed of eight directors, one of whom had executive functions whilst the remaining seven directors were non-executive. On the 23 April 2018, Clive Peter Whiley took temporary leave of absence from his executive role and was replaced as interim CEO by the Chairman, Lawrence Zammit. Sir Christopher Lewinton, a non-executive director, did not seek re-election to the Board of Directors during the 2018 Annual General Meeting and accordingly, ceased to be a director with effect from 15 June 2018. Roger St John Hulton Lewis, another non-executive director, resigned with effect from 11 December 2018 so that currently, the Board comprises five non-executive directors, including the Chairman and one executive director, namely Elizabeth Ka-Yee Kan, who was appointed as CEO of the Company with effect from 1 February 2019.

The Board considers that the size of the Board is appropriate. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required, and adds value to the functioning of the Board and gives direction to the Company, in line with the strategies and policies set out by the Board itself.

Franco Azzopardi is considered to be independent. Although Lawrence Zammit spent a number months in the role of temporary CEO, the Board is of the view that this has not detracted from his ability to maintain independence of analysis, decision and action not least because Mr. Zammit was always aware of the fact that his appointment was by design, temporary. Mr Zammit's main role within the Company was (and still is) that of Chairman and he accepted to take on the role of temporary CEO with the sole intent of helping the Company fill-in a gap until a more permanent and suitable solution was found.

In determining the independence or otherwise of its directors, the Board considered, amongst others, the principles relating to independence of directors contained in the Code, the Company's own practice as well as general principles of good practice.

The presence of the executive director on the Board is designed to ensure that the Board has direct access to the individuals having the prime responsibility for the executive management of the Company and the implementation of approved polices. Each non-executive director has submitted the declaration to the Board declaring their independence as stipulated under code provision 3.4.

Principle 4: The Responsibilities of the Board

The Board has the first level responsibility for executing the four basic roles of Corporate Governance, namely accountability, monitoring, strategy formulation and policy development.

In fulfilling its mandate, the Board assumes responsibility to:

a) establish appropriate corporate governance standards;
b) review, evaluate and approve, on a regular basis, long-term plans for the Company;
c) review, evaluate and approve the Company's budgets and forecasts;
d) review, evaluate and approve major resource allocations and capital investments;
e) review the financial and operating results of the Company;
f) ensure appropriate policies and procedures are in place to manage risks and internal control;
g) review, evaluate and approve the overall corporate organisation structure, the assignment of management responsibilities and plans for senior management development;

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

Part 1: Compliance with the Code (continued)

Principle 4: The Responsibilities of the Board (continued)

h) review, evaluate and approve compensation to senior management; and
i) review periodically the Company's objectives and policies relating to social, health and safety and environmental responsibilities.

The Board has established a clear internal and external reporting system to ensure that the board has access to accurate, relevant and timely information. The Board has ensured that policies and procedures are in place to maintain the highest standards of corporate conduct of the Company and its employees.

During its meetings the Board regularly discusses the directors' statutory and fiduciary duties, the Company's operations and prospects, the skills and competence of senior management, the general business environment and the Board's expectations.

Principle 5: Board Meetings

For the period under review, the Board has implemented its policy to meet at least once every quarter. Board meetings concentrate mainly on strategy, operational performance and financial performance of the Company. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors. As a matter of practice, Board meetings are set well in advance of their due date and each director is provided with detailed Board papers relating to each agenda item. Management prepares detailed reviews for each Board meeting covering all aspects of the Company's business.

During 2018, the Board met 5 times. Meetings were attended as follows:

Members	**No of Meetings held: (5) Attended**
Lawrence Zammit (Chairman)	5
Franco Azzopardi	4
David Martin Bralsford	5
Roger St John Hulton Lewis	4
Sir Christopher Lewinton*	2
Clive Peter Whiley	4
Elizabeth Ka-Yee Kan	5
Victor Lap-Lik Chu	3

* ceased to be a director with effect from 15 June 2018

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.

Board Committees

Audit Committee

The Board delegates certain responsibilities to the Audit Committee, the terms of reference of which reflect the requirements stipulated in the Listing Rules. As part of its terms of reference, the Audit Committee has the responsibility to, if required, vet, approve, monitor and scrutinise Related Party Transactions, if any, falling within the ambits of the Listing Rules and to make its recommendations to the Board on any such proposed Related Party Transactions. The Audit Committee also establishes internal procedures and monitors these on a regular basis. 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.

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

Part 1: Compliance with the Code (continued)

Principle 5: Board Meetings (continued)

Board Committees (continued)

Audit Committee (continued)

The Committee also has the authority to summon any person to assist it in the performance of its duties, including the Auditors of the Company who are invited to all relevant meetings.

The Audit Committee is currently composed of Franco Azzopardi (non-executive director and Chairman of the Audit Committee), Lawrence Zammit (non-executive director and Chairman of the Company), and Martin Bralsford (non-executive director). The Chairman of the Audit Committee is appointed by the Board and is independent of the Company. Mr Azzopardi was appointed Chairman of the Audit Committee with effect from 14 June 2019. Lawrence Zammit and Franco Azzopardi are independent and satisfy the independence criteria set out in Listing Rule 5.117.

During 2018, the Audit Committee met 5 times.

Members	No of Meetings held: (5) Attended
Franco Azzopardi	5
Lawrence Zammit	5
Martin Bralsford	2

Mr Bralsford sits on the Board of CNMI, which holds 79% of the issued share capital of the Company. As such Mr Bralsford does not participate in meetings which discuss and where deemed appropriate, approve related parties transactions.

The Board considers Mr Franco Azzopardi to be independent and competent in accounting and/or auditing on the basis that Mr Azzopardi qualified as an accountant in 1985 and received a Master of Science in Finance from the University of Leicester in 2006. In accordance with Listing Rule 5.118, the Board considers the three Audit Committee members as having the required competence jointly as a Committee due to their professional background and experience in the marina industry, as well as in other sectors, at both national and international level.

Senior Executive Management

The CEO was responsible for the implementation of the strategies set by the Board, management of the business of the Company and to deliver the results. The CEO reports directly to the Board of the Company. The Company's senior management, including the CEO, is appointed by the Board.

The Board is responsible for setting the business strategy and overall corporate governance of the Company. The General Manager, Chief Operating Officer and Chief Financial Officer of the Company attended meetings of the Board as and when requested. The attendance of such persons 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 and to, *inter alia*, ensure that the policies and strategies adopted by the Board are successfully implemented by the Company.

The Company also owns a 45% shareholding in IC Çesme which company owns and operates a marina in Cesme, Turkey. The operations of the said marina are vested in the board of directors of IC Cesme and the marina's general manager (Mr Can Akaltan).

Part 1: Compliance with the Code (continued)

Principle 6: Information and Professional Development (continued)

On joining the Board, a director is provided with briefings by the Company's senior management on the different activities within the Company. Each director is made aware of the Company's on-going obligations in terms of the Companies Act (Cap. 386), the Listing Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company in order to ensure that each director is aware of his legal obligations. The Company is also prepared to bear the expense incurred by the directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as directors. The Board actively also considers the professional and technical development of all senior management.

The Company recognises the need for a succession plan for the senior management of the Company. The marina service agreement with CNML provides the necessary tool for succession planning purposes. The value added by having this marina service agreement with CNML is the possibility for the Company to tap in on any additional resources it may require from time to time. This serves the purpose of also ensuring the continuity of operations of the marina. Appointments and changes to senior management are the responsibility of the CEO and are approved by the Board.

Notwithstanding that the Board has established no formal system yet, the Board and the CEO ensure that the staff morale is duly monitored at all times.

Principle 7: Evaluation of the Board's Performance

With respect to the year under review, the Board undertook an evaluation of its own performance, the Chairman's performance and that of its Committees. The Board did not per se appoint a committee to carry out this performance evaluation, but the evaluation exercise was conducted through a questionnaire, copies of which were sent to the Chairman, Mr Lawrence Zammit.

Principle 8: Committees

Remuneration Committee

As is permitted in terms of provision 8.A.2 of the Code, on the basis of the fact that the remuneration of the directors is not performance-related, the Company has not set up a remuneration committee. The functions which would otherwise be carried out by such committee are carried out by the Board. In addition, the Board has mandated the Compensation Committee established by Camper & Nicholsons Marina Investments Limited ("CNMIL" or the "Parent company"), to evaluate the remuneration of the senior executives of the Company and formulate recommendations to the Board. The Chairman of the Company attends the Compensation Committee meetings of the Parent company where the evaluations are carried out and recommendations made.

Principle 9: Relations with Shareholders and with the Market and Principle 10: Institutional Investors

The Board is of the view that over the period under review the Company has communicated effectively with the market through a number of company announcements that it published informing the market of significant events happening within the Company.

The Company also communicates with its shareholders through its Annual General Meeting (further detail is provided under the section entitled General Meetings). The Chairman arranges for all directors to attend the annual general meeting and for the chairman of the Audit Committee to be available to answer questions, if necessary. The Chairman also ensures that sufficient contact is maintained with major shareholders to understand issues and concerns.

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

Part 1: Compliance with the Code (continued)

Principle 9: Relations with Shareholders and with the Market and Principle 10: Institutional Investors

Apart from the annual general meeting, the Company intends to continue with its active communication strategy in the market and shall accordingly continue to communicate with its shareholders and the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year and through the directors statements published on a six-monthly basis, and by company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood and disclosed to the market in a timely manner.

The Company's website (http://en.cnmarinas.com/grand-harbour-marina/) also contains information about the Company and its business which is a source of further information to the market. Individual shareholders can raise matters relating to their shareholding at any time throughout the year and are provided with the opportunity to ask questions at the Annual General Meeting.

Principle 11: Conflicts of Interest

The directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. The Board is aware of any interest directors may have in the share capital of the Company. In the case of conflicts, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

Principle 12: Corporate Social Responsibility

The Company has adhered to the accepted principles of corporate social responsibility by continuing to support the Community in Cottonera. The Company has also supported events organised by the Local Council of Vittoriosa, namely 'Birgu by Candlelight' and Christmas activities for children and elderly people. Further, the Company has continued its collaboration with the Malta Maritime Museum, whilst providing financial support to NGO's such as Puttinu Cares and Community Chest Fund.

In addition, the Company provided financial support to the project "Il-Klabb Malti tal-Avventuri" (also known as Malta Adventure Club), in the publication of a number of e-books aimed to empower disabled children, as well as to promote the inclusion of disabled children in society with stories portraying children with different disabilities solving simple mysteries. In addition, the structure of the e-books are also adequate for children with hearing and seeing disabilities. The book was successfully launched on 14 January 2018.

Part 2: Non-Compliance with the Code

Principle 2: Chairman and Chief Executive

The Code Provision recommends that "there should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company`s business". During 2018, the chairmanship of the Company was vested in Lawrence Zammit. Until 23 April 2018, the position of CEO was occupied by Clive Whiley. However, owing to supervening causes associated with Clive Whiley's temporary leave of absence, Lawrence Zammit temporarily took over the role of CEO until 1 February 2019, when Elizabeth Ka-Yee Kan was appointed as CEO of the Company.

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

Part 2: Non-Compliance with the Code (continued)

Principle 4: Code Provision 4.2.7:

This Code Provision recommends "*the development of a succession policy for the future composition of the Board of directors and particularly the executive component thereof, for which the Chairman should hold key responsibility*". In the context of the appointment of directors being a matter reserved exclusively to the Company's shareholders (except where the need arises to fill a casual vacancy), considering that every director retires from office at the AGM, the Company does not consider it feasible to have in place such a succession policy. However, the recommendation to have in place such a policy will be kept under review. An active succession policy is however in place for senior executive positions in the Company.

Principle 8B (Nomination Committee):

Pursuant to the Company's Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company's shareholders (in line also with general and commonly accepted practice in Malta). Any shareholder/s who in the aggregate hold not less than 200,000 shares having voting rights in the Company is entitled to nominate a fit and proper person for appointment as a director of the Company. Furthermore, in terms of the Memorandum and Articles of Association of the Company, the directors themselves are entitled to make recommendations and nominations to the shareholders for the appointment of directors at the next following annual general meeting. Within this context, the Board believes that the setting up of a Nomination Committee is not required since the Board itself has the authority to recommend and nominate directors. Notwithstanding this, the Board will retain under review the issue relating to the setting up of a Nomination Committee.

Principle 9: Code Provision 9.3:

The Company does not have a formal mechanism in place as required by Code provision 9.3 to resolve conflicts between minority shareholders and controlling shareholders and no such conflicts have arisen.

Internal Control and Risk Management

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

Organisation	The Company operates through the management team of the Company. Such team operates 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.

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

Internal Control and Risk Management (continued)

Financial reporting Financial reporting procedures are in place to identify, control and report major risks. The Board receives periodic management information giving comprehensive analysis of financial and business performance against prior periods and current budgets.

Listing Rule 5.97.5

The information required by this Listing Rule is found in the Directors' Report.

General Meetings and Shareholders' Rights

Conduct of general meetings

It is only shareholders whose details are entered into the register of members on the record date that are entitled to participate in the general meeting and to exercise their voting rights. In terms of the Listing Rules, the record date falls 30 days immediately preceding the date set for the general meeting to which it relates. The establishment of a record date and the entitlement to attend and vote at general meeting does not, however, prevent trading in the shares after the said date.

In order for business to be transacted at a general meeting, a quorum must be present. In terms of the articles of association, 51% of the nominal value of the issued equity securities entitled to attend and vote at the meeting constitutes a quorum. If within half an hour, a quorum is not present, the meeting shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the directors may determine. In any event, the adjourned meeting must be held at least ten days after the final convocation is issued and no new item must put on the agenda of such adjourned meeting. If at the adjourned meeting a quorum is not yet present within half an hour from the time appointed for the meeting, the member or members present shall constitute a quorum. Generally, the chairman of the Board presides as chairman at every general meeting of the Company. At the commencement of any general meeting, the chairman may, subject to applicable law, set the procedure which shall be adopted for the proceedings of that meeting. Such procedure is binding on the members.

If the meeting consents or requires, the chairman shall adjourn a quorate meeting to discuss the business left unattended or unfinished. If a meeting is adjourned for 30 days or more, notice of the quorate meeting must be given as in the case of an original meeting. Otherwise, it is not necessary to give any notice of an adjourned meeting or of the business to be transacted at such quorate meeting.

At any general meeting a resolution put to the vote shall be determined and decided by a show of hands, unless a poll is demanded before or on the declaration of the result of a show of hands by:

I. the chairman of the meeting; or
II. by at least three (3) members present in person or by proxy; or
III. any member or members present in person or by proxy and representing not less than one tenth of the total voting power of all members having the right to vote at that meeting; or
IV. a member or members present in person or by proxy holding equity securities conferring a right to vote at the meeting, being equity securities on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the equity securities conferring that right.

General Meetings and Shareholders' Rights (continued)

Conduct of general meetings (continued)

Unless a poll is so demanded, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost together with an entry to that effect in the minute book, shall constitute conclusive evidence of the fact without need for further proof. If a resolution requires a particular majority in value, in order for the resolution to pass by a show of hands, there must be present at that meeting a member or members holding in the aggregate at least the required majority. A poll demanded on the election of the chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at the discretion of the chairman. In the case of equality of votes, whether on a show of hands or on a poll, the chairman has a second or casting vote. On a show of hands every member present in person or by proxy shall have one vote, and on a poll every member shall have one vote for each equity security carrying voting rights of which he is the holder provided that all calls or other sums presently payable by him in respect of equity securities have been paid.

Proxy

Every member is entitled to appoint one person to act as proxy holder to attend and vote at a general meeting instead of him. The proxy holder shall enjoy the same rights to participate in the general meeting as those to which the member thus represented would be entitled. If a member is holding shares for and on behalf of third parties, such member shall be entitled to grant a proxy to each of his clients or to any third party designated by a client and the said member is entitled to cast votes attaching to some of the shares differently from the others. In the case of voting by a show of hands, a proxy who has been mandated by several members and instructed to vote by some shareholders in favour of a resolution and by others against the same resolution shall have one vote for and one vote against the resolution.

The instrument appointing a proxy must be deposited at the office or by electronic mail at the address specified in the notice convening the meeting not less than forty-eight (48) hours before the time for holding the meeting or, in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll. The same applies to the revocation of the appointment of a proxy.

A form of instrument of proxy shall be in such form as may be determined by the directors and which would allow a member appointing a proxy to indicate how he would like his proxy to vote in relation to each resolution.

Including items on the agenda

A shareholder or shareholders holding not less than 5% of the issued share capital may include items on the agenda of the general meeting and table draft resolutions for items included on the agenda of a general meeting. Such right must be exercised by the shareholder at least 46 days before the date set for the general meeting to which it relates.

General Meetings and Shareholders' Rights (continued)

Questions

Shareholders have the right to ask questions which are pertinent and related to the items on the agenda.

Electronic voting

In terms of the Articles of Association of the Company, the directors may establish systems to:
a) allow persons entitled to attend and vote at general meetings of the Company to do so by electronic means in accordance with the relevant provisions of the Listing Rules; and
b) allow for votes on a resolution on a poll to be cast in advance.

Where a shareholder requests the Company to publish a full account of a poll, the Company is required to publish the information on its website not later than 15 days after the general meeting at which the result was obtained.

Further details on the conduct of a general meeting and shareholders' rights are contained in the memorandum and articles of association of the Company and in chapter 12 of the Listing Rules.

Remuneration Statement

As is permitted in terms of provision 8.A.2 of the Code, on the basis of the fact that the remuneration of the directors is not performance-related, the Company has not set up a remuneration committee. The functions which would otherwise be carried out by such Committee are carried out by the Board.

Remuneration Policy – Senior Executives

The Board determines the framework of the overall remuneration policy and individual remuneration arrangements for its senior executives based on recommendations from the Compensation Committee of its Parent company. The Board considers that these remuneration packages reflect market conditions and are designed to attract appropriate quality executives to ensure the efficient management of the Company. During the current year under review there have been no significant changes in the Company's remuneration policy and no significant changes are intended to be effected thereto in the year ahead. The terms and conditions of employment of each individual within the executive team are set out in their respective indefinite contracts of employment with the Company. None of these contracts contain provisions for termination payments and other payments linked to early termination. The Company's senior executives may be paid a bonus by the Company, the payment and extent of payment of such bonus is entirely at the discretion of the Board.

Moreover, share options, pension schemes and profit sharing are currently not part of the Company's remuneration policy.

The Company has opted not to disclose the amount of remuneration paid to its senior executives on the basis that it is commercially sensitive.

Grand Harbour Marina p.l.c.

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

Remuneration Statement (continued)

Remuneration Policy – Directors

The Board determines the framework of the remuneration policy for the members of the Board as a whole. The maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in the Annual General Meeting. The financial statements disclose an aggregate figure in respect of the directors' remuneration which, with respect to the period under review, amounted to forty five thousand Euros (€45k) (entirely representing a fixed remuneration). As mentioned above, there are no share options and the directors do not receive variable remuneration. Directors' emoluments are designed to reflect the time committed by directors to the Company's affairs. The remuneration of the directors is not performance-related.

Signed on behalf of the Board of Directors on 25 March 2019 by:

Franco Azzopardi
Director and Chairman of Audit Committee

Grand Harbour Marina p.l.c.

Other Disclosures in terms of the Listing Rules

Pursuant to Listing Rule 5.70

5.70.1 Material Contracts in relation to which a director of the Company was directly or indirectly interested

Marina Services Agreement between the Company and CNML

On the 1 July 2007, the Company entered into a Marina Service Agreement with CNML 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:

1. 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 GBP18k per annum;

2. sales and marketing - GBP3.2k per month and 2.5% on licences in excess of one year;

3. commissioning - sums shall be agreed from time to time in connection with projects undertaken;

4. project services - charges are agreed from time to time; and

5. financial controller support - a rate of GBP48 per hour for actual time spent on GHM work.

Royalty Agreement between the Company and Camper & Nicholsons Marinas International 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 GBP1k per month. This agreement had been replaced by an agreement dated 1 July 2007 between GHM and Camper & Nicholsons (Designs) Limited. Under the terms of this agreement, GHM was obliged to pay Camper & Nicholsons (Designs) Limited 0.25% of turnover as royalties with a minimum amount of GBP10k per annum. This agreement was terminated on 19 December 2008 and replaced by another agreement with Camper & Nicholsons Marinas International Limited. Under the terms of this new agreement the Company is obliged to pay Camper & Nicholsons Marinas International Limited 1.50% of operating turnover as royalties.

The following directors of the Company are also directors of Camper & Nicholsons Marina Investments Limited and / or other companies forming part of the same group of companies:-

David Martin Bralsford
Victor Lap-Lik Chu
Elizabeth Ka-Yee Kan
Clive Peter Whiley

Grand Harbour Marina p.l.c.

Other Disclosures in terms of the Listing Rules (continued)

Pursuant to Listing Rule 5.70 (continued)

Pursuant to Listing Rule 5.70.2

Company Secretary:	Dr Louis de Gabriele LL.D.
Registered Office of Company:	Vittoriosa Wharf Vittoriosa BRG 1721 Malta
Telephone:	(+356) 21 800 700

Grand Harbour Marina p.l.c.

Statement of financial position

As at 31 December 2018

	Note	2018 Group €000	2018 Company €000	2017 Group €000	2017 Company €000
ASSETS					
Property, plant and equipment	16	**5,215**	**5,215**	5,311	5,311
Deferred costs		**491**	**491**	491	491
Equity-accounted investee	18	**2,580**	**2,174**	2,561	2,174
Other investments	19	**494**	**494**	-	-
Loan to Parent company	20	**2,950**	**2,950**	3,950	3,950
Non-current assets		**11,730**	**11,324**	12,313	11,926
Loan to Parent company	20	**1,000**	**1,000**	-	-
Trade and other receivables	21	**1,197**	**1,197**	1,067	1,067
Cash and cash equivalents	22	**8,325**	**8,325**	7,670	7,670
Current assets		**10,522**	**10,522**	8,737	8,737
Total assets		**22,252**	**21,846**	21,050	20,663
EQUITY					
Share capital	23	**2,400**	**2,400**	2,400	2,400
Other reserves	23	**(222)**	**(4)**	(150)	-
Retained earnings	23	**1,112**	**488**	626	89
Total equity		**3,290**	**2,884**	2,876	2,489
LIABILITIES					
Debt securities in issue	25	**14,643**	**14,643**	14,610	14,610
Deferred tax liability	28	**1,169**	**1,169**	839	839
Non-current liabilities		**15,812**	**15,812**	15,449	15,449
Bank overdraft	25	**1**	**1**	2	2
Contract liabilities	27	**956**	**956**	906	906
Trade and other payables	26	**2,193**	**2,193**	1,817	1,817
Current liabilities		**3,150**	**3,150**	2,725	2,725
Total liabilities		**18,962**	**18,962**	18,174	18,174
Total equity and liabilities		**22,252**	**21,846**	21,050	20,663

The accompanying notes are an integral part of these financial statements. The financial statements on pages 27 to 95 were approved and authorised for issue by the Board of Directors on 25 March 2019 and signed on its behalf by:

Lawrence Zammit
Chairman

Franco Azzopardi
Director

Grand Harbour Marina p.l.c.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Note	**2018 Group**	**2018 Company**	2017 Group	2017 Company
	Note	**€000**	**€000**	€000	€000
Continuing operations					
Revenue	10	**4,725**	**4,725**	4,130	4,130
Direct costs	11	**(1,192)**	**(1,192)**	(906)	(906)
		3,533	**3,533**	3,224	3,224
Selling and marketing expenses	11	**(89)**	**(89)**	(90)	(90)
Administrative expenses	11	**(1,748)**	**(1,748)**	(1,612)	(1,612)
Impairment loss on financial assets	29	**(6)**	**(6)**	-	-
Other expenses	11	**(112)**	**(112)**	(4)	(4)
Depreciation	16	**(211)**	**(211)**	(320)	(320)
Operating profit		**1,367**	**1,367**	1,198	1,198
Finance income	13	**71**	**71**	67	67
Finance costs	13	**(709)**	**(709)**	(905)	(905)
Net finance costs		**(638)**	**(638)**	(838)	(838)
Share of profit of equity-accounted investee, net of tax	18	**20**	**-**	48	-
Profit before tax		**749**	**729**	408	360
Income tax expense	15	**(330)**	**(330)**	(357)	(357)
Profit for the period		**419**	**399**	51	3
Other comprehensive income:					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences	18	**(1)**	**-**	(5)	-
Debt investments at Fair Value through Other Comprehensive Income (FVOCI) – net change in fair value	19	**(4)**	**(4)**	-	-
Other comprehensive expense for the period, net of tax		**(5)**	**(4)**	(5)	-
Total comprehensive income for the period		**414**	**395**	46	3
Earnings per share (cents)	14	**2c0**	**2c0**	0c2	0c0

The accompanying notes are an integral part of these financial statements.

Grand Harbour Marina p.l.c.

Statement of changes in equity

For the Year Ended 31 December 2018

	Share capital	Translation reserve	Fair value reserve	Retained earnings	Total
	€000	€000	€000	€000	€000
Group					
Balance as at 1 January 2017	2,400	(104)	-	(534)	2,830
Total comprehensive income for the period					
Profit for the period	-	-	-	51	51
Other comprehensive income:					
Foreign currency translation differences-equity accounted	-	(46)	-	41	(5)
Total comprehensive income for the period	-	(46)	-	92	46
Balance at 31 December 2017	2,400	(150)	-	626	2,876
Balance as at 1 January 2018	**2,400**	**(150)**	**-**	**626**	**2,876**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**419**	**419**
Other comprehensive income:					
Foreign currency translation differences- equity accounted investees	**-**	**(68)**	**-**	**67**	**(1)**
Debt investments at FVOCI – net change in fair value	**-**	**-**	**(4)**	**-**	**(4)**
Total comprehensive income for the period	**-**	**(68)**	**(4)**	**486**	**414**
Balance at 31 December 2018	**2,400**	**(218)**	**(4)**	**1,112**	**3,290**

The accompanying notes are an integral part of these financial statements.

Grand Harbour Marina p.l.c.

Statement of changes in equity (continued)

For the Year Ended 31 December 2018

	Share capital	Fair value reserve	Retained earnings	Total
	€000	€000	€000	€000
Company				
Balance as at 1 January 2017	2,400	-	86	2,486
Total comprehensive income for the period				
Profit for the period	-	-	3	3
Balance at 31 December 2017	2,400	-	89	2,489
Balance as at 1 January 2018	**2,400**	**-**	**89**	**2,489**
Total comprehensive income for the period				
Profit for the period	**-**	**-**	**399**	**399**
Other comprehensive income:				
Debt investments at FVOCI – net change in fair value	**-**	**(4)**	**-**	**(4)**
Total comprehensive income for the period	**-**	**(4)**	**399**	**395**
Balance at 31 December 2018	**2,400**	**(4)**	**488**	**2,884**

The accompanying notes are an integral part of these financial statements.

Grand Harbour Marina p.l.c.

Statement of cash flows

For the Year Ended 31 December 2018

	Note	2018 Group	2018 Company	2017 Group	2017 Company
		€000	**€000**	€000	€000
Cash flows from operating activities					
Profit for the period		**419**	**399**	51	3
Adjustments for:					
Depreciation and amortisation		**211**	**211**	320	320
Increase of impairment loss on receivables		**6**	**6**	-	-
Share of profit of equity accounted investee		**(20)**	**-**	(48)	-
Net finance costs		**638**	**638**	838	838
Assets written off		**114**	**114**	-	-
Tax expense		**330**	**330**	357	357
		1,699	**1,699**	1,518	1,518
Changes in:					
- Trade and other receivables		**(93)**	**(93)**	49	49
- Contract liabilities		**50**	**50**	(41)	(41)
- Trade and other payables		**376**	**376**	128	128
Cash generated from operating activities		**2,031**	**2,031**	1,654	1,654
Interest paid		**(676)**	**(676)**	(758)	(758)
Net cash from operating activities		**1,355**	**1,355**	896	896
Cash flows from investing activities					
Interest received		**28**	**28**	48	48
Acquisition of property, plant and equipment		**(229)**	**(229)**	(197)	(197)
Advance on security deposit on new lease		-	-	(7)	(7)
Assets held in trust utilised for bond redemption		-	-	1,926	1,926
Loan repayment by Parent company		**-**	**-**	287	287
Acquisition of corporate debt securities		**(498)**	**(498)**	-	-
Net cash (used in) / from investing activities		**(699)**	**(699)**	2,057	2,057
Cash flows from financing activities					
Proceeds from 4.5% bond 2027, net of issue		**-**	**-**	14,598	14,598
Redemption of 7% bond 2017-2020		**-**	**-**	(10,969)	(10,969)
Net cash from financing activities		**-**	**-**	3,629	3,629
Net increase in cash and cash equivalents		**656**	**656**	6,582	6,582
Cash and cash equivalents at the 1 January		**7,668**	**7,668**	1,086	1,086
Cash and cash equivalents at 31 December	22	**8,324**	**8,324**	7,668	7,668

The accompanying notes are an integral part of these financial statements.

1 Reporting entity

Grand Harbour Marina p.l.c. (the "Company") is a public listed company domiciled and incorporated in Malta, with registration number C26891.

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiary, (together referred to as the "Group") and the Group's beneficial interest of 45% in a joint arrangement, IC Cesme Marina Yatirim, Turizm ve Islemeleri Anonim Sirketi ("IC Cesme"). The Group is itself a subsidiary of Camper & Nicholsons Marina Investments Limited ("CNMIL" or the "Parent Company").

The principal activities of the Group are the development, operation and management of marinas.

2 Basis of accounting

Legal Notice 19 of 2009 as amended by Legal Notice 233 of 2016, Accountancy Profession (Accounting and Auditing Standards) (Amendments) Regulations, 2016 (the "Regulation"), defines compliance with generally accepted accounting principles and practice as adherence to International Financial Reporting Standards (IFRS) as adopted by the EU for financial periods starting on or after 1 January 2008. This Regulation was deemed to have come into force on 17 June 2016. Article 4 of Regulation 1606/2002/EC requires that, for each financial year starting on or after 1 January 2005, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with IFRS as adopted by the EU if, at their reporting date, their securities are admitted to trading on a regulated market of any EU Member State. This Regulation prevails over the provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) to the extent that the said provisions of the Companies Act, 1995, (Chapter 386, Laws of Malta) are incompatible with the provisions of the Regulation.

Consequently, the separate and the consolidated financial statements are prepared in conformity with IFRS as adopted by the EU.

Details of the Group's accounting policies are included in Note 6. This is the first set of the Group's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in note 7.

3 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for other investments, which are measured at fair value on each reporting date. The financial statements have also been prepared on a going concern basis.

4 Functional and presentation currency

These financial statements are presented in Euro (€), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5 Use of judgements and estimates

In preparing these financial statements management has made judgements and estimates that affect the application of the Group's 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 estimates are recognised prospectively.

5.1 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 18.4 – determining the recoverable amount of the investment in joint venture: key assumptions underlying recoverable amounts; and
- Notes 19, 20, 21 and 22- measurement of expected credit loss ("ECL") allowance for investments in debt securities, loan to Parent company, trade receivables and cash and cash equivalents: key assumption underlying the ECL allowance.

5.2 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the Group assesses the evidence obtained from third parties to support the valuation in accordance with IFRSs as adopted by the EU.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair values hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Fair values have been determined based on the following methods.

Where applicable, further information about the assumptions made in measuring fair values is included in Notes 18 and 29.

6 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these financial statements, except as mentioned in note 7 following the adoption of newly effective standards as from 1 January 2018.

6.1 Basis of consolidation

6.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 6.1.2). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 6.10.2). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair values of the contingent consideration are recognised in profit or loss.

6.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

6.1.3 Non-controlling interests (“NCI”)

NCI are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

6.1.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

6 Significant accounting policies (continued)

6.1 Basis of consolidation (continued)

6.1.5 Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprises an interest in a joint venture.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date at which significant influence or joint control ceases.

Investments in equity-accounted investees are stated in the financial statements of the Company at cost less impairment, if any. Any amounts advanced / incurred for which settlement is neither planned nor likely to occur in the foreseeable future, are treated as an extension to the Company's net investment therein and included in the carrying amount.

6.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

6.2 Foreign currency

6.2.1 Foreign currency transactions

Transactions in foreign currencies are translated into their respective functional currencies of Group companies at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency rate at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

6.2.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

6 Significant accounting policies (continued)

6.2 Foreign currency (continued)

6.2.2 Foreign operations (continued)

Entities that retain their records in a currency other than in their respective functional currencies at the time the Group prepares its consolidated financial statements, have all their amounts translated into Euro such that the amounts reported would tantamount to the same amounts in the functional currency as would have occurred had the items been recorded initially in the functional currency. Accordingly, monetary items are translated into the functional currency using the closing rate and non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the rate of the transaction that resulted in their recognition.

In both instances such foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

6.3 Revenue

6.3.1 IFRS 15 Revenue from Contracts with Customers

Policy applicable after 1 January 2018:

The Group has initially applied IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services and is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The effect of initially applying IFRS 15 is described in note 7.1.

6.3.2 Nature of services

The Group generates revenue from two main revenue streams, being revenue from the licensing of long-term super-yacht berths and revenue from short-term berthing. Revenue is recognised as described in note 7.1.

6.3.3 Contract liabilities

Contract liabilities are recognised in the statement of financial position and represent amounts received for services not yet rendered at the reporting date.

Policy applicable before 1 January 2018:

The effects of IFRS 15 and any related differences from IAS18 are disclosed in note 7.1 to the financial statements.

6 Significant accounting policies (continued)

6.4 Employee benefits

The Group contributes towards the State defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contributions. Obligations for contributions to the defined contribution plans are expensed as the related service is provided.

6.5 Finance income and finance costs

The Group and the Company's finance income and finance costs include dividend income, interest income on funds invested, interest expense on bonds in issue, amortised bond issue costs, the net gain or loss on the disposal of investments in debt securities measured at FVOCI, impairment losses (and reversals) on investments in debt securities carried at FVOCI and foreign currency gains and losses on financial assets and liabilities.

Interest income and interest expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimate future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

6.6 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

6.6.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable of receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

6 Significant accounting policies (continued)

6.6 Income tax (continued)

6.6.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary difference is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain conditions are met.

6.7 Property, plant and equipment

6.7.1 Recognition and measurement

Property, plant and equipment of the Group includes superyacht berths that have been completed but not yet licensed (see below), pontoons, improvements to leased property, motor vehicles, office equipment and assets in the course of construction.

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

6 Significant accounting policies (continued)

6.7 Property, plant and equipment (continued)

6.7.1 Recognition and measurement (continued)

The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs as these relate to qualifying assets.

As part of its operating activities, Grand Harbour Marina p.l.c. licenses out superyacht berths, 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 (the 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’ and included with non-current assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net in the statements of profit or loss and other comprehensive income.

6.7.2 Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

6.7.3 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

• superyacht berths	50 years
• pontoon berths	25 years
• improvements to leased properties	10 years
• motor vehicles	5 years
• office equipment	5 years

Superyacht berths are depreciated from the date of full construction 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 accounting policy 6.7.1. Assets in the course of construction are not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

6 Significant accounting policies (continued)

6.8 Financial instruments

The Group has adopted IFRS 9 as from 1 January 2018. IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities. The effect of initially applying IFRS 9 is described in Note 7.2.

6.8.1 Recognition and initial measurement

Trade and other receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6.8.2 Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics. The Group has financial assets measured at amortised cost which comprise trade and other receivables, loan to Parent company and cash at bank. The Group also has debt instruments measured at FVOCI which comprise investments in corporate debt securities.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

6 Significant accounting policies (continued)

6.8 Financial instruments (continued)

6.8.2 Classification and subsequent measurement (continued)

Financial assets – Policy applicable from 1 January 2018 (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the policies and objectives for the portfolio and the operation of those policies in practice, how the performance of the portfolio is evaluated and reported to Group management, the risks that affect the performance of the business model and how those risks are managed and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:
- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

6 Significant accounting policies (continued)

6.8 Financial instruments (continued)

6.8.2 Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018 (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

6 Significant accounting policies (continued)

6.8 Financial instruments (continued)

6.8.2 Classification and subsequent measurement (continued)

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL

Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.

Held-to-maturity financial assets

Measured at amortised cost using the effective interest method.

Loans and receivables

Measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

6 Significant accounting policies (continued)

6.8 Financial instruments (continued)

6.8.3 Derecognition (continued)

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

6.8.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

6.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

6 Significant accounting policies (continued)

6.10 Impairment

6.10.1 Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments

The Group recognises loss allowances for Expected Credit Losses (“ECLs”) on:

- financial assets measured at amortised cost; namely trade and other receivables, loans to Parent company and cash at bank; and
- debt investments measured at FVOCI, namely investments in corporate debt securities.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instruments.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. In the case of short-term, interest-free financial assets, such as trade receivables, ECLs are not discounted.

6 Significant accounting policies (continued)

6.10 Impairment (continued)

6.10.1 Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to loans to Parent company, cash at bank and trade and other receivables, are presented separately in the statement of profit or loss and other comprehensive income. For debt securities at FVOCI, the loss allowance is charged to profit or loss under finance costs and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Financial assets not classified as at fair value through profit or loss, were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers
- the disappearance of an active market for a security because of financial difficulties
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

The Group considered evidence of impairment of these assets at an individual asset level. An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease could be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

6 Significant accounting policies (continued)

6.10 Impairment (continued)

6.10.2 Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

6.10.3 Equity-accounted investees

The impairment assessment in respect of equity-accounted investees comprises two successive steps:

(1) apply the equity method to recognise the investor's share of any impairment losses for the investee's identifiable assets.
(2) when there is an indication of a possible impairment, test the investment as a whole and recognise any additional impairment loss.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

6 Significant accounting policies (continued)

6.11 Leases

6.11.1 Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. At inception or reassessment of the arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

6.11.2 Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

6.11.3 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, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

6.12 Earnings per share

The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

6.13 Segment reporting

Segment results that are reported to the CEO of Grand Harbour Marina p.l.c. (the Group's chief operating decision maker), include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6 Significant accounting policies (continued)

6.14 Fair value measurement

Fair values have been determined based on the following methods.

6.14.1 Non-derivative financial assets measured at amortised cost

The fair value of non-derivative financial assets measured at amortised cost is estimated at the present value of future cash flows, discounted at the market rate of interest at reporting date. The carrying mount of loans to Parent company, trade and other receivables and cash and cash equivalents is a reasonable approximation of their fair value.

6.14.2 Non-derivative financial liabilities measured at amortised cost

The fair value of non-derivative financial liabilities measured at amortised cost is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying amounts of trade and other payables, contract liabilities, bank overdraft and debt securities in issue are a reasonable approximation of fair value.

6.14.3 Debt instruments measured at FVOCI

The fair value of investments in corporate debt securities is based on quoted prices in active markets for those same instruments.

7 Changes in significant accounting policies

The Group has initially applied IFRS 15 (Note 7.1) and IFRS 9 (Note 7.2) from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss if any financial instruments and contract liabilities.

The effect of initially applying these standards is mainly attributed to the disclosure of contract assets and contract liabilities.

7.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services: at a point in time or over time – requires judgement.

The adoption of IFRS 15 was neutral on revenue recognition and the Group's performance and financial position. Similarly, IFRS 15 did not materially change the Group's accounting policies as noted below. IFRS 15 did, however, result in changes to disclosures in relation to revenue recognition (see note 10).

7 Changes in significant accounting policies

7.1 IFRS 15 Revenue from Contracts with Customers (continued)

7.1.1 Performance obligations identified and the recognition of revenue

Revenue is measured based on the consideration specified in the contract with a customer, and is recognised when, or as, the Group satisfies a performance obligation by transferring a good or service to a customer. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). Information about the nature and timing of satisfaction of performance obligations in contracts with customers in relation to each revenue stream, are as follows:

7.1.1.1 Licensing of long-term super-yacht berths

The Group recognises revenue at a point in time, and satisfies its performance obligations and transfers control of a good/service at a point in time, if one of the following is met:

- the Group has a present right to payment for the asset i.e. if a customer is presently obliged to pay for an asset;
- the customer has legal title to the asset;
- the Group has transferred physical possession of the asset; or
- the customer has the significant risks and rewards of the ownership of the asset.

All these conditions may indicate that the customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset in exchange.

As per IAS 18, any revenue from the licensing of long-term super-yacht berths was recognised upon the signing of the licensing arrangements with the berth holders, on the basis that such give rise to the sale of the Group's right to the use of such berths. Similarly, under IFRS 15, revenue will continue to be recognised at a point in time i.e. when a berth holder obtains control of the berth space through the execution of a public deed, which is the point in time when real rights are acquired by the berth holder.

The Group shall adjust the consideration amount as per the contract for the effects of the time value of money if the timing of payments agreed to by the parties provides the customer with a significant benefit of financing the transfer of goods/services to the customer.

7.1.1.2 Short-term berthing

The Group recognises revenue over time, and satisfies its performance obligations and transfers control of a good/service over time, if one of the following is met:
- the customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the entity (such assessment should be made at contract inception) and the Group has an enforceable right to payment for performance completed to date.

7 Changes in significant accounting policies

7.1 IFRS 15 Revenue from Contracts with Customers (continued)

7.1.1 Performance obligations identified and the recognition of revenue (continued)

7.1.1.2 Short-term berthing (continued)

The Group earns income from services provided in respect of short-term berthing contracts, being annual, seasonal and visitor contracts and includes also the relative service fees charged to berth holders. The customer simultaneously receives and consumes the benefits of the Group's performance as it performs by making the berth available. The customer benefits from its service of making the berth available evenly throughout the year i.e. the customer benefits from having the berth available, regardless of whether the customer uses it or not. In such case, the best measure of progress towards complete satisfaction of the performance obligation over time is a time-based measure and revenue is thus recognised on a straight-line basis throughout the berthing period. Consequently, such services are deemed to comprise a series of distinct services treated as a single performance obligation satisfied over time. Accordingly, revenue is recognised over the service period. This policy is unchanged from the requirements of the previously applicable IAS 18.

The Group shall adjust the consideration amount as per the contract for the effects of the time value of money if the timing of payments agreed to by the parties provides the customer with a significant benefit of financing the transfer of goods/services to the customer.

As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the Group transfers a promised good/service to a customer and when the customer pays for that good/service will be one year or less.

Costs an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (such as sales commission) shall be recognised as an asset if the entity expects to recover those costs. Such asset may then be amortised on a systematic basis that is consistent with the transfer to the customer of the goods/services to which the asset relates.

However, as a practical expedient, the Group will recognise the incremental costs of obtaining a contract as an expense when incurred since the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

7 Changes in significant accounting policies (continued)

7.2 IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets and financial liabilities and some to buy contracts or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements,* which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Any impairment losses on other financial assets, such as investment in debt instruments, are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures.*

The adoption of IFRS 9 resulted in no material impact on the Group's performance and financial position. Accordingly, there is no adjustment in equity on initial application of IFRS 9.

7.2.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see note 6.8.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, which as disclosed in Note 7.2.2, was immaterial to the Group.

7 Changes in significant accounting policies (continued)

7.2 IFRS 9 Financial Instruments (continued)

7.2.1 Classification and measurement of financial assets and financial liabilities (continued)

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				**€000**	**€000**
Investment in corporate debt securities	(a)	Available-for-sale	FVOCI- debt instrument	494	494
Loan to Parent company	(b)	Loans and receivables	Amortised cost	3,950	3,950
Trade and other receivables	(b)	Loans and receivables	Amortised cost	1,197	1,197
Cash and cash equivalents		Loans and receivables	Amortised cost	8,325	8,325
Total financial assets				**13,966**	**13,966**
Financial liabilities					
Bank overdraft		Other financial liabilities	Other financial liabilities	1	1
Debt securities in issue		Other financial liabilities	Other financial liabilities	14,643	14,643
Trade and other payables		Other financial liabilities	Other financial liabilities	2,193	2,193
Contract liabilities		Other financial liabilities	Other financial liabilities	956	956
Total financial liabilities				**17,793**	**17,793**

a) The corporate debt securities categorised as available-for-sale under IAS 39 are held by the Group in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in nine to ten years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9.

7 Changes in significant accounting policies (continued)

7.2 IFRS 9 Financial Instruments (continued)

7.2.1 Classification and measurement of financial assets and financial liabilities (continued)

b) Loans to Parent company and trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see note 6.10.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. However, the Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 do not result in a material allowance for impairment.

7.2.2 Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except for the fact that the Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment requirements). Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

8 Standards issued but not yet effective

International Financial Reporting Standards in issue but not yet effective

A number of new standards and amendments are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

The Group has assessed the estimated impact that the initial application of IFRS 16 which have on the financial statements. The estimated impact of the adoption of this standard of the Group's equity as at January 2019 is based on assessments undertaken to date and is summarised in the following paragraphs. Such assessment made by the Group is preliminary as on transition more requirements will be finalised and therefore may be subject to adjustment.

8 Standards issued but not yet effective

International Financial Reporting Standards in issue but not yet effective (continued)

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 supersedes IAS 17 'Leases' and related interpretations. IFRS 16 is effective for periods beginning on or after 1 January 2019.

i. Leases in which the Group is a lessee

This IFRS will have an impact on the Group's financial statements, as the Company will recognise a right-of-use asset representing its right to use the underlying leased asset arising from the 99 year deed of sub-emphyteusis entered into between the Company and the Cottonera Waterfront consortium, together with a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items, and while the accounting for variable lease payments based on an index or rate are included in the initial measurement of the lessee's lease liability, the variable lease payments not based on an index or rate, such as turnover or usage-based are excluded from such standard, and will keep being recognised as an expense in the statement of profit or loss.

Therefore, upon date of transition to IFRS 16, the initial recognition of both the asset and liability should be equivalent to the unpaid discounted minimum lease payments from the date of initial application of the standard until the end of the lease term. Following preliminary assessments of the financial impact on the Company's financial statements, the initial recognition of the right-of-use asset and lease liability amounts to around €6.1 million. Subsequently, the asset will be reduced with the yearly depreciation charge of €110k, while the liability is reduced as minimum lease payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate, which for the first year is expected to amount to €381k.

From a Group perspective, in addition to the impact brought about through the recognition of the right-to-use assets and related depreciation and imputed finance cost on the liability recognised on the Vittoriosa Marina, the results will also be impacted with the Group's share (45%) on the depreciation amounting to approximately €233k arising on the right to use assets recognised by IC Cesme on the Turkish Marina and the related imputed finance cost of €440k on the liability recognised thereon.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

8 Standards issued but not yet effective

International Financial Reporting Standards in issue but not yet effective (continued)

IFRS 16 Leases (continued)

ii. Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects that it will reclassify two sub-leases as finance leases, resulting in recognition of finance receivable of €428k as at 1 January 2019.

iii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17.

9 Operating segments

9.1 Information about reportable segments

Under the "management approach" to segment reporting, the Group has two reportable segments, which are the marinas in which it has an interest, namely, the "Grand Harbour Marina" located in Malta, and the "IC Cesme marina" located in Turkey. These two geographically operating segments are managed separately as they have their own resource and capital requirements. The business operation in each of these two operating segments is the ownership and operation of marina facilities providing berthing and ancillary services for yachts and superyachts.

The amounts reported for IC Cesme Marina reflect the full amount (100%) of the respective assets, liabilities, revenues and expenses.

31 December 2018	**Grand Harbour Marina**	**IC Cesme Marina**	**Total for Reportable Segments**
	€000	**€000**	**€000**
Segment revenues - external	**4,725**	**4,161**	**8,886**
Interest income	**71**	**46**	**117**
Interest expense	**(709)**	**(293)**	**(1,002)**
Depreciation	**(211)**	**(775)**	**(986)**
Capital expenditure	**228**	**99**	**327**
	========	========	========

9 Operating segments (continued)

9.1 Information about reportable segments (continued)

Reconciliation to Consolidated Amounts

	Total for Reportable Segments	Eliminations	Group
	€000	€000	€000
Segment revenues - external	8,886	(4,161)	4,725
Interest income	117	(46)	71
Interest expense	(1,002)	293	(709)
Depreciation	(986)	775	(211)
Capital expenditure	327	(99)	228

	Grand Harbour Marina	IC Cesme Marina	Total for Reportable Segments
	€000	€000	€000
Reportable segment assets	21,846	14,394	36,240
Reportable segment liabilities	(18,962)	(12,432)	(31,394)

Reconciliation to Consolidated Amounts

	Total for Reportable Segments	Eliminations	Group
	€000	€000	€000
Reportable segment assets	36,240	(13,988)	22,252
Reportable segment liabilities	(31,394)	12,432	(18,962)

9 Operating segments (continued)

9.1 Information about reportable segments (continued)

Reportable Group segment assets and liabilities for 2018 are reconciled as follows:

Assets	**€000**
Total assets of Grand Harbour Marina p.l.c.	**21,846**
Share of post-acquisition profits of joint venture brought forward	**387**
Share of profits of joint venture for the year, net of foreign currency translation differences	**19**
Consolidated assets	**22,252**

Liabilities	**€000**
Total liabilities for reportable segments	**(18,962)**
Consolidated liabilities	**(18,962)**

	Grand Harbour Marina	**IC Cesme Marina**	**Total for Reportable Segments**
	€000	**€000**	**€000**
Reportable segment profit before tax	**729**	**357**	**1,086**

Reportable Group segment profit before tax for 2018 is reconciled as follows:

Reconciliation to Consolidated Amounts

	Total for Reportable Segments	**Eliminations**	**Group**
	€000	**€000**	**€000**
Reportable segment profit before tax	**1,086**	**(337)**	**749**

9 Operating segments (continued)

9.1 Information about reportable segments (continued)

Reportable Group segment profit before tax for 2018 is reconciled as follows:

Profit before tax	**€000**
Total profit before tax for reportable segments	**749**
Consolidated profit before tax	**749**

The comparative figures are analysed as follows:

31 December 2017:	**Grand Harbour Marina**	**IC Cesme Marina**	**Total for Reportable Segments**
	€000	€000	€000
Segment revenues - external	4,130	4,817	8,947
Interest income	67	120	187
Interest expense	(905)	(391)	(1,296)
Depreciation	(320)	(806)	(1,126)
Capital expenditure	197	136	333

9 Operating segments (continued)

9.1 Information about reportable segments (continued)

Reconciliation to Consolidated Amounts

	Total for Reportable Segments	Eliminations	Group
	€000	€000	€000
Segment revenues - external	8,947	(4,817)	4,130
Interest income	187	(120)	67
Interest expense	(1,296)	391	(905)
Depreciation	(1,126)	806	(320)
Capital expenditure	333	(136)	197
	========	========	========

	Grand Harbour Marina	IC Cesme Marina	Total for Reportable Segments
	€000	€000	€000
Reportable segment assets	20,663	16,057	36,720
Reportable segment liabilities	(18,174)	(14,139)	(32,313)
	========	========	========

Reconciliation to Consolidated Amounts

	Total for Reportable Segments	Eliminations	Group
	€000	€000	€000
Reportable segment assets	36,720	(15,670)	21,050
Reportable segment liabilities	(32,313)	14,139	(18,174)
	==========	=========	========

9 Operating segments (continued)

9.1 Information about reportable segments (continued)

Reportable Group segment assets and liabilities for 2017 are reconciled as follows:

Assets	€000
Total assets of Grand Harbour Marina p.l.c.	20,663
Share of post-acquisition profits of joint venture brought forward	344
Share of profits of joint venture for the year, net of foreign currency translation differences	43
Consolidated assets	21,050

Liabilities	€000
Total liabilities for reportable segments	(18,174)
Consolidated liabilities	(18,174)

	Grand Harbour Marina	**IC Cesme Marina**	**Total for Reportable Segments**
	€000	€000	€000
Reportable segment profit before tax	360	(286)	74

Reconciliation to Consolidated Amounts

	Total for Reportable Segments	**Eliminations**	**Group**
	€000	€000	€000
Reportable segment profit before tax	74	334	408

Reportable Group segment profit before tax for 2017 is reconciled as follows:

Profit before tax	€000
Total profit before tax for reportable segments	408
Consolidated profit before tax	408

10 Revenue

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 7.1.

10.1 Revenue streams

The Company generates revenue primarily from berthing income from annual, seasonal and visitor boats berthed in the marina. Other income is generated through the provision of water and electricity and other ancillary services to such customers.

	2018	2017
	€000	€000
Revenue from short-term berthing	**3,369**	3,072
Ancillary services	**1,356**	1,058
Total revenues	**4,725**	4,130

10.2 Disaggregation of revenue from contracts with customers

The following table disaggregates revenue recognised from contracts with customers into appropriate categories, being annual, seasonal and visitor revenue streams.

	2018	2017
	€000	€000
Revenue from contracts with customers:		
Revenue generated from pontoons:		
Annual contracts	**1,351**	1,392
Seasonal contracts	**77**	59
Visitor contracts	**284**	268
Revenue generated from superyachts:		
Service fees	**419**	422
Annual contracts	**268**	246
Seasonal contracts	**169**	213
Visitor contracts	**801**	472
Revenue from contracts with customers	**3,369**	3,072
Revenue from ancillary services	**1,356**	1,058
Total revenue as reported in note 10.1	**4,725**	4,130

10 Revenue (continued)

10.3 Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	2018	2017
	€000	€000
Receivables, which are included in 'trade and other receivables'	**813**	693
Contract liabilities	**(956)**	(906)

The receivables mainly relate to the non-refundable upfront fee (non-cancellable contract) charged to the clients at or near contract inception, equivalent to the fee of the duration of the contract, whether it is annual, seasonal or visitor. It is therefore an unconditional right to consideration, which as at 31 December 2018 has not yet been received.

The contract liabilities relate to consideration received in advance from customers for berthing contracts, for which revenue is recognised over time. The amount of €906k recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2018.

As at reporting date, the Company did not have any contract assets as the Company's rights to consideration for satisfied performance obligations was fully completed and billed in full by the reporting date.

11 Expenses

11.1 Expense by nature

	2018	2017
Group and Company	**€000**	€000
Direct costs	**1,192**	906
	---------------	---------------
Directors' remuneration	**45**	49
Wages and salaries	**537**	453
Compulsory social security contributions – employer and employees	**77**	62
	---------------	---------------
	659	564
	---------------	---------------
Selling and distribution expenses	**89**	90
Repairs and maintenance	**61**	64
Operating leases (see note 12.2)	**450**	411
Auditors' remuneration (see note 12.1)	**42**	113
Other operating expenses	**648**	464
	---------------	---------------
	3,141	2,612
	======	======

11 Expenses (continued)

11.1 Expenses by nature (continued)

The average number of persons employed during the period was as follows:

	2018 No.	2017 No.
Group and Company		
Operating	**18**	13
Management and administration	**5**	5
	----------	------------
	23	18
	====	====

12 Other operating expenses

12.1 Auditors' remuneration

The following fees were charged by, and became payable to the Company's auditors for services rendered in connection with:

	2018	2017
	€000	€000
Audit fee	**39**	39
Tax advisory services	**1**	1
Other assurance services	**2**	73
	-----------	------------
	42	113
	====	====

The Maltese Companies Act requires the notes to the consolidated financial statements to show the total remuneration paid to the auditors in respect of all undertakings included in the consolidation. The audit fee of IC Cesme for 2018 amounted to €8k (2017: €17k), with the Group's share of such audit fees being €4k (2017: €8k).

12 Other operating expenses (continued)

12.2 Operating leases

12.2.1

Group and Company	Note	2018 €000	2017 €000
Sub-ground rent on immovable property	16.2	**23**	23
Lease for the assignment of marina rights	12.2.2	**361**	318
Rent for use of premises	12.2.3	**41**	45
Other operating lease expenses	12.2.4	**25**	25
		450	411

12.2.2 By virtue of the other part of the deed of sub-emphyteusis referred to in note 16.2 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 Company is required to pay the consortium a yearly fee equivalent to 10% per annum of adjusted revenue, subject to minimum and maximum limits.

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 (being the year 2030) by giving the consortium at least 12 months' prior written notice.

At 31 December, the future minimum and maximum lease payments under the non-cancellable lease agreement were payable as follows:

	2018 €000	2017 €000
Minimum		
Less than one year	**254**	254
Between one and five years	**1,053**	1,018
More than five years	**1,951**	2,240
	3,258	3,512
Maximum		
Less than one year	**636**	636
Between one and five years	**2,640**	2,545
More than five years	**5,121**	5,852
	8,397	9,033

12 Other operating expenses (continued)

12.2 Operating leases (continued)

12.2.3 On 15 June 2017, the Company entered into a deed for the lease of part of the premises known as Vault 4, forming part of a larger building known as Palace of the Captains of the Galleys, to be used as the new marina office and situated in the same locality as the marina, for a period of 15 years, with the first 5 years being *di fermo*. At the same time, the Company sub-let the "Capitainerie", which used to host the Company's offices, to third parties.

12.2.4 The Company leases a garage which is used for storage purposes. On 24 April 2009 it concluded another lease agreement for the storage of fuel at the marina.

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13 Net finance costs

	2018	2017
Group and Company	**€000**	€000
Interest income under the effective interest method on:		
Loans and receivables - measured at amortised cost	**69**	67
Corporate debt securities - at FVOCI	**2**	-
Finance income	**71**	67
Interest expense on financial liabilities measured at amortised cost	**(675)**	(732)
Amortisation of bond issue costs (see note 25.4)	**(33)**	(171)
Net foreign exchange losses	**(1)**	(2)
Finance costs	**(709)**	(905)
Net finance costs recognised in profit or loss	**(638)**	(838)

14 Earnings per share

The calculation of basic earnings per share is based on the following profit attributable to ordinary shareholders and the number of ordinary shares outstanding:

	2018 Group	**2018 Company**	2017 Group	2017 Company
	€000	**€000**	€000	€000
Profit for the period, attributable to the owners of the Company	**419**	**399**	51	3
Number of ordinary shares of the Company (in thousands)	**20,000**	**20,000**	20,000	20,000
Earnings per share (in cents)	**2c0**	**2c0**	0c3	0c0

15 Income taxes

15.1 Amount recognised in profit or loss

Current tax is recognised at the corporate rate of 35% on the taxable income for the period from the Company's marina business activity, excluding that arising from the sale of long-term superyacht berths. During the periods ended 31 December 2018 and 2017, the Company did not conclude any such sale. Similarly, deferred tax charges and credits relate only to the marina business activity.

	2018	2017
	€000	€000
Group and Company		
Deferred tax expense		
Change in recognised unrelieved tax losses and unabsorbed capital allowances	**(330)**	(357)
Income tax expense	**(330)**	(357)

15.2 Reconciliation of tax expense

The income tax expense and the result of the accounting profit multiplied by the Maltese tax rate are reconciled as follows:

	2018 Group	**2018 Company**	2017 Group	2017 Company
	€000	**€000**	€000	€000
Profit before income tax	**749**	**729**	408	360
Tax expense at the domestic tax rate of 35%	**(262)**	**(255)**	(143)	(126)
Tax not recognised in prior periods	**-**	**-**	(16)	(16)
Tax effect of:				
• expenses not deductible for tax purposes	**(75)**	**(75)**	(215)	(215)
• share of profit of equity accounted investee	**7**	**-**	17	-
Income tax expense for the period	**(330)**	**(330)**	(357)	(357)

16 Property, plant and equipment

16.1

Group and Company	Total	Superyacht berths	Pontoon berths	Improvements to leased properties	Motor vehicles	Other plant and equipment	Assets in the course of construction
Cost	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Balance at 1 January 2017	9,226	4,304	3,545	692	44	460	181
Additions	197	-	7	68	5	88	29
Disposals	(2)	-	-	-	(2)	-	-
Balance at 31 December 2017	9,421	4,304	3,552	760	47	548	210
Balance at 1 January 2018	**9,421**	**4,304**	**3,552**	**760**	**47**	**548**	**210**
Additions	**229**	**8**	**85**	**14**	**-**	**26**	**96**
Assets written off	**(182)**	**-**	**(116)**	**-**	**-**	**-**	**(66)**
Reclassifications	**-**	**28**	**60**	**-**	**-**	**-**	**(88)**
Balance at 31 December 2018	**9,468**	**4,340**	**3,581**	**774**	**47**	**574**	**152**

16 Property, plant and equipment (continued)

16.1 (continued)

Group and Company	Total	Superyacht berths	Pontoon berths	Improvements to leased properties	Motor vehicles	Other plant and equipment	Assets in the course of construction
Accumulated depreciation and impairment	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Balance at 1 January 2017	3,790	901	1,868	570	28	423	-
Depreciation charged for the year	320	86	142	64	9	19	-
Balance at 31 December 2017	4,110	987	2,010	634	37	442	-
Balance at 1 January 2018	**4,110**	**987**	**2,010**	**634**	**37**	**442**	**-**
Depreciation charged for the year	**268**	**87**	**143**	**12**	**4**	**22**	**-**
Other	**(57)**	**-**	**-**	**(53)**	**(4)**	**-**	**-**
Assets written off	**(68)**	**-**	**(68)**	**-**	**-**	**-**	**-**
Balance at 31 December 2018	**4,253**	**1,074**	**2,085**	**593**	**37**	**464**	**-**
Carrying amounts							
Balance at 1 January 2017	5,436	3,403	1,677	122	16	37	181
Balance at 31 December 2017	5,311	3,317	1,542	126	10	106	210
Balance at 31 December 2018	**5,215**	**3,266**	**1,496**	**181**	**10**	**110**	**152**

16 Property, plant and equipment (continued)

16.2 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 an initial period of 99 years.

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-ground rent (see note 12.2).

This property is hypothecated in favour of the Company's lenders as security for funds borrowed (see note 25.3). In addition, this property is subject to a special legal hypothec in favour of the consortium, in respect of the payment of annual and temporary ground rent (for the unexpired period) imposed on the property, arising by virtue of the said deed of sub-emphyteusis.

17 Investment in subsidiary

On 29 June 2011, the Company acquired from Camper & Nicholsons Marinas International Limited the 100% shareholding in Maris Marine Limited ("MML") for a consideration of €115. This dormant company is incorporated in the United Kingdom and the registered office of this subsidiary is situated at The White Building, 4 Cumberland Place, Southampton, SO15 2NP. The reporting date of this non-trading entity is 31 March.

18 Equity-accounted investee

18.1 Cost of acquisition

On the 17 March 2011, the Company entered into an agreement with its Parent company, as a result of which the Company initially acquired the ownership of 19% in IC Cesme Marina Yatirim, Turizm ve Isletmeleri Anonim Sirketi ("**IC Cesme**"), a company registered under the laws of Turkey, which company owns and operates a marina in Turkey, and eventually the beneficial interest of 45% therein through the acquisition of MML (see note 17), which held 26% therein for a total consideration of €1,930k. The registered address and principal place of business of IC CESME is Musalla Mh. 1016 SK. No.8, Cesme, Izmir, Turkey. During that year the Company made an additional shareholder's contribution of €244k, which amount has been capitalised as part of the Company's net investment in the joint venture.

18 Equity-accounted investee (continued)

18.2 Cost of equity accounted investee

	2018 Group	**2018 Company**	2017 Group	2017 Company
	€000	**€000**	€000	€000
Fair value of net identifiable assets at date of acquisition	**1,082**	**1,082**	1,082	1,082
Goodwill inherent in the cost of Investment	**848**	**848**	848	848
	1,930	**1,930**	1,930	1,930
Cumulative capital contributions	**244**	**244**	244	244
Cost of investment at 1 January and 31 December	**2,174**	**2,174**	2,174	2,174
Share of post-acquisition reserves	**387**		344	
Share of profit for the period	**20**		48	
Foreign currency translation difference arising on share of profit for the period	**(1)**		(5)	
Equity accounted investee at 31 December	**2,580**		2,561	

IC Cesme, the only joint arrangement in which the Group participates, is principally engaged in the operation of a marina in Turkey. IC Cesme is an unlisted joint arrangement and is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified the investment in IC Cesme as a joint venture which is equity accounted.

In accordance with the agreement under which IC Cesme is established, the Group and the other investors to the joint venture agree to make additional contributions in proportion to their interests, if required.

18.3 Summary of financial information of joint venture

The Group's share of profit in its equity accounted investee for the year amounted to €20k (2017: €48k). This investee is not listed and consequently no published price quotations are available. The reporting date of this entity is 31 December. The entity is exposed to the country risks relating to Turkey and other risks associated with the trends and future outlook of the marina industry as a whole.

The following table summarises the financial information of IC Cesme based on its financial information prepared in accordance with IFRS as adopted by the EU. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in IC Cesme, which is accounted for using the equity method of accounting.

18 Equity-accounted investee (continued)

18.3 Summary of financial information of joint venture (continued)

	2018	2017
	€000	€000
Non-current assets	**10,831**	11,574
Current assets	**3,563**	4,483
Non-current liabilities,	**(9,231)**	(4,833)
Current liabilities	**(3,201)**	(9,306)
Net assets (100%)	**1,962**	1,918
Group's share of net assets (45%) at 1 January	**863**	815
Group's share of profit and total comprehensive income (45%) for the period	**20**	48
Group's share of net assets (45%) at 31 December	**883**	863
Goodwill arising on initial acquisition	**848**	848
Fair value adjustments on initial acquisition	**850**	850
Carrying amount of interest in joint venture	**2,580**	2,561

Revenue	**4,161**	4,817
Personnel expenses	**(523)**	(663)
Depreciation	**(775)**	(806)
Other operating expenses	**(2,259)**	(3,363)
Results from operating activities	**604**	(15)
Net finance costs	**(247)**	(271)
Profit/ (loss) for the period	**357**	(286)
Taxation	**(313)**	392
Profit and total comprehensive income for the period	**44**	106
Group's share of total comprehensive income (45%)	**20**	48
Foreign currency translation difference arising on share of profit for the year	**(1)**	(5)
Change in carrying amount of interest in joint venture	**19**	43

18 Equity-accounted investee (continued)

18.4 Impairment assessment of investment in joint venture

As explained in note 18.1 the Company acquired its investment in IC Cesme Marina Yatırım Turizm ve Isletmeleri A.S. ("IC Cesme"), a joint venture, in 2011. IC Cesme operates a marina with associated landside property in the Izmir region of Turkey, held in terms of a Build-Operate-Transfer agreement expiring in 2034. On 16 January 2019 the Build-Operate-Transfer agreement was extended to 31 December 2067 with no renewal rights, in consideration for an upfront premium payable over five years.

In view of the geo-political status of the investee's jurisdictions, the directors have estimated the recoverable amount of the investment in IC Cesme in 2018 in order to determine whether it exceeds the carrying amount. The directors have included in their estimate of the recoverable amount analysis on the value of the IC Cesme marina prepared by CBRE UK Limited, who are appointed throughout the CNMIL Group to value the properties held.

The recoverable amount was estimated based on its fair value less costs of disposal, assuming that the BOT contract's expiry would be extended to 31 December 2067 under the same conditions as the contract signed in January 2019. The fair value measurement falls within Level 3 of the fair value hierarchy. The fair value of the property has been arrived at by reference to its trading potential using a market comparison / income capitalisation valuation technique, whereby EBITDA for a reasonably efficient operator ("REO") is multiplied by a capitalisation multiple, and adjusted for other non-operating assets, net debt and a discount for joint control. EBITDA has been based on the 2018 actual performance for IC Cesme, adjusted for any normalisations applicable to REO. This EBITDA has been capitalised at a rate of 7.3% for the remainder of the term of 49 years for the BOT contract giving a capitalisation multiple of 13.3. The capitalisation rate was estimated on the basis of market information on transactions involving marinas.

The estimated recoverable amount of the Company's investment in IC Cesme's net assets at Group and Company level, exceeds its carrying amount by approximately €112k and €518k respectively. Management has identified the following assumption for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount.

The following table shows the extent by which the key assumption is required to vary in order for the estimated recoverable amount to be equal to the carrying amount.

Key assumption	Value assigned	Reasonably possible change in key assumption for recoverable amount to equal carrying amount	
		Company	Group
Yield %	7.3%	+0.7%	+0.2%

19 Other investments

19.1

	2018	2017
	€000	€000
Non-current investments		
Corporate debt securities - at FVOCI	**494**	-
	======	======

During 2018, the Company acquired investments in local listed bonds for €497k. Such investments have stated interest rates ranging from 3.5% to 5% and mature between 2024 and 2028. As at 31 December 2018, the value of such investments, by reference to quoted market prices on the Malta Stock Exchange, amounted to €494k. Such a value was classified as a Level 1 investment by reference to the fair value hierarchy (note 5.3). The loss on fair value during the period ended 31 December 2018 (i.e. €4k) has been presented in other comprehensive income and the fair value reserve.

19.2 The investments are considered to be held within a held to collect and sell business model consistent with the Group's continuing measurement of such investments (notes 6.8.2 and 7.2.1).

19.3 Information about the Group's exposure to credit and market risks for debt investments is disclosed in note 29. `

20 Loans to Parent company

20.1

	2018	2017
Group and Company	**€000**	€000
Non-current		
At 1 January	**3,950**	4,237
	=====	=====
At 31 December	**2,950**	3,950
	=====	=====
Current		
At 1 January	**-**	-
	=====	=====
At 31 December	**1,000**	-
	=====	=====
Total	**3,950**	3,950
	=====	=====

20 Loans to Parent company (continued)

Related terms and conditions

The Company's joint venture, IC Cesme has a loan with Isbank in the form of a Term Facility Agreement ("Term Facility", which facility amounts to €7,000k), repayable in semi-annual instalments subject to a nominal interest rate of six month Euribor plus 4.5%. The respective repayments were originally planned to commence in December 2011, which were then renegotiated in July 2015, to semi-annual repayments of €538k each, in full, by the fall of 2022. The balance payable on this loan as at 31 December 2018 amounts to €4,308k (2017: €5,385k).

In addition to the Term Facility referred to above, Isbank provided other sub-loans in the form of a General Cash and Non-Cash Credit Agreement ("Subordinated Loans") with a maximum facility of €10,000k, subject to a 1.4% nominal rate of interest with the various drawdowns maturing at different dates depending on the respective draw-down date. The total balance payable on the sub-loans as at 31 December 2018 amounts to €6,646k (2017: €6,646k). During 2018, the directors of IC Cesme have agreed with the bank to roll forward an amount of €6,000k in subordinated loans due for repayment in 2019, for another year.

The Subordinated Loans are secured by cash pledges by the shareholders of IC Cesme. The cash pledge continues to be held in the name of the Company's parent ("CNMIL"), but in terms of the sale agreement, the Company has lodged an equivalent sum with CNMIL in anticipation of Isbank agreeing to complete the legal formalities relating to this substitution, which has not yet been completed. Accordingly CNMIL acts as a guarantor and sponsor of IC Cesme's repayment obligations under the Term Facility and the Subordinated Loans to the extent of 45% (reflective of the Company's beneficial interest in IC Cesme) for any failure by IC Cesme to honour repayments.

In the meantime, the Company indemnified CNMIL in the event that Isbank enforces any of its rights under the Term Facility and has irrevocably instructed and authorized the Company's Parent company to hold and apply the cash pledge in conformity with all the obligations under the Isbank documents.

As a result of the aforementioned General Cash and Non-Cash Credit Agreement, the Company's loan receivable from its Parent company, pledged in favour of Isbank for the Subordinated Loans taken out, amounts to €2,950k (2017: €2,950k).

Based on the cash projections prepared, the directors expect that IC Cesme will be able to generate sufficient cash flow to be able repay its other existing loan commitments under the term facility and will also be in a position to roll forward and agree new repayment terms, in respect of any outstanding balance due on the sub-loans, to a period beyond 2022 in such a way which will not necessitate the bank to make recourse to the cash pledge.

On the basis of the foregoing the directors continue to be of the view that there are no triggers for impairment in relation to the loan receivable.

In addition to the above pledged loan between the Company and its Parent company, additional upstream loans to the Parent company amount to €1,000k, carrying interest at a rate of 4% per annum and repayable by April 2019.

21 Trade and other receivables

21.1

Group and Company	Note	2018 €000	2017 €000
Trade receivables		**813**	686
Accrued interest on loans to Parent company	20/ 21.2	**267**	229
Prepayments and other receivables		**117**	152
		1,197	1,067

21.2 The amounts owed by related parties are unsecured, interest free and repayable on demand.

21.3 The receivables are considered to be held within held-to-collect business model consistent with the Group's continuing measurement of such receivables (notes 6.8.2 and 7.2.1)

21.4 Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables are disclosed in note 29.

22 Cash and cash equivalents

Group and Company	2018 €000	2017 €000
Cash in hand	**3**	3
Bank balances	**8,322**	7,667
Cash at cash equivalents in the statement of financial position	**8,325**	7,670
Bank overdraft used for cash management purposes (see note 25)	**(1)**	(2)
Cash and cash equivalents in the statement of cash flows	**8,324**	7,668

23 Capital and reserves

23.1 Share capital

	2018	2017
	€000	€000
Authorised share capital		
20,000,000 ordinary shares of €0.12 each	**2,400**	2,400
	======	======
Issued share capital		
20,000,000 ordinary shares of €0.12 each	**2,400**	2,400
	======	======

23.2 Shareholders' rights

Ordinary shareholders are entitled to 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, and are entitled to one vote per share at general meetings of the Company.

23.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial results of the joint arrangement from Turkish Lira into Euro. This reserve is not distributable.

23.4 Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified.

23.5 Dividends

No dividends were declared and paid by the Company for the year ended 31 December 2018 (2017: €nil)

24 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. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year. The Company is required to hold regulatory capital for its public limited company status in accordance with Article 104(1) and 104(3) of the Companies Act, 1995 (Chapter 386, Laws of Malta). The minimum capital requirement must be maintained at all times throughout the period. As at 31 December 2018, the Company's net asset was more than half of its called up share capital. The Company was deemed to be in compliance with the requirements of the Companies Act. The subsidiary and the joint-venture are not subject to externally imposed capital requirements.

25 Loans and borrowings

25.1 This note provides information about the contractual terms of the Group's interest-bearing borrowings which are measured at amortised cost. For more information about the Company's exposures to liquidity and interest rate risks, see note 29.

	2018	2017
	€000	€000
Non-current		
Debt securities in issue (see note 25.4)	**14,643**	14,610
	======	======
Current		
Bank overdraft (see note 25.3)	**1**	2
	======	======

25.2 Terms and repayment schedule

The terms and conditions of outstanding loans are as follows

	Nominal int rate	**Year of maturity**	**2018**		**2017**	
			Face value	**Carrying amount**	**Face value**	**Carrying amount**
			€000	**€000**	€000	€000
Bank overdraft	4.85%	Repayable on demand	**1**	**1**	2	2
Unsecured bond	4.50%	2027	**15,000**	**14,643**	15,000	14,610
Total interest-bearing liabilities			**15,001**	**14,644**	15,002	14,612

25.3 Bank overdraft

The bank overdraft bears interest at the rate of 2.50% over the bank's commercial managed base rate, which was 2.35% per annum as at 31 December 2018 (2017: 2.35%) and is repayable on demand. This overdraft is secured by:

- a first general hypothec for €1,747k on overdraft basis over all the Company's assets, present and future; and

- a first special hypothec for €1,747k on overdraft basis over the freehold property held by the Company under title of temporary sub-emphyteusis (see note 16.2).

25 Loans and borrowings (continued)

25.4 Debt securities in issue

By virtue of the Prospectus dated 26 June 2017, the Company announced the early redemption of the 7% unsecured €12 million bond issued in 2010, from the proceeds of a new unsecured bond for an amount of €15 million, to which the existing bondholders and shareholders were given the option to subscribe. The bonds had a nominal value of €100 per bond and were issued at par. The bonds are subject to a fixed interest rate of 4.5% per annum payable semi-annually in arrears on 22 February and 22 August of each year. All bonds are redeemable at par (€100 for each bond) on the 23 August 2027.

The proceeds from the bond issue, net of bond issue expenses, amounting to €14.6 million will be used by the Company for the following purposes:

1. €11 million already used for the redemption of the 7% unsecured bond;
2. €3.5 million for further waterside investment within the Marina which is envisaged to take place in two separate stages; and
3. €50k for general corporate and operational purposes.

The bonds are measured at the amount of net proceeds adjusted for the amortisation of the difference between net proceeds and the redemption value of the bonds using the effective interest method as follows: Cumulative amortisation of gross amount of bond issue costs.

	2018	2017
	€000	€000
Original face value of bonds issued	**15,000**	15,000
Gross amount of bond issue costs	**(402)**	(402)
Cumulative amortisation of gross amount of bond issue costs	**12**	-
Amortisation charge for the year (note 13)	**33**	12
Unamortised bond issue costs	**(357)**	(390)
Amortised cost and closing carrying amount of the bond	**14,643**	14,610

The bonds have been admitted to the Official List of the Malta Stock Exchange. The quoted market price of the bonds at 31 December 2018 was €105.00 (2017: €104.99), which in the opinion of the directors represented the fair value of these financial liabilities.

25.5 Banking facilities

The Company can make use of a general banking facility up to an amount of €1,747k in connection with the operation of the marina and the issuance of special guarantees. This facility incorporates the issuance of a Performance Bond in favour of the Malta Environmental and Planning Authority for €35k (2017: €35k).

26 Trade and other payables

26.1		**2018**	2017
	Group and Company	**€000**	€000
	Trade payables	**359**	217
	Amounts due to related parties (see note 26.2)	**166**	90
	Other payables	**260**	265
	Accrued expenses	**1,408**	1,245
		------------	------------
		2,193	1,817
		=====	=====

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

26.3 Information about the Group's exposures to currency and liquidity risks related to trade and other payables is disclosed in note 29.

27 Contract liabilities

The effect of initially applying IFRS 15 is described in note 7.1.

	2018	2017
	€000	€000
Current		
Customer advances	**956**	906
	=====	=====

The contract liabilities relate to the consideration received in advance from customers for berthing contracts, for which revenue is recognised over time.

28 Deferred tax assets and liabilities

28.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
	€000	€000	**€000**	€000	**€000**	€000
Plant and equipment	**-**	-	**(1,424)**	(1,506)	**(1,424)**	(1,506)
Provision for doubtful debts	**-**	12	**-**	-	**-**	12
Unrealised changes in fair value	**1**	-	**-**	-	**1**	-
Operating lease charges	**158**	163	**-**	-	**158**	163
Unrelieved tax losses and unabsorbed capital allowances	**96**	492	**-**	-	**96**	492
Net tax assets / (liabilities)	**255**	667	**(1,424)**	(1,506)	**(1,169)**	(839)

28.2 Movement in temporary differences during the year

Group and Company	**Balance 1 January 2018**	**Recognised in profit or loss**	**Balance 31 December 2018**
	€000	**€000**	**€000**
Plant and equipment	**(1,506)**	**82**	**(1,424)**
Loss allowance	**12**	**(12)**	**-**
Unrealised changes in fair value	**-**	**1**	**1**
Operating lease charges	**163**	**(5)**	**158**
Unrelieved tax losses and unabsorbed capital allowances	**492**	**(396)**	**96**
	(839)	**(330)**	**(1,169)**

Group and Company	Balance 1 January 2017	Recognised in profit or loss	Balance 31 December 2017
	€000	€000	€000
Plant and equipment	(1,521)	15	(1,506)
Loss allowance	12	-	12
Operating lease charges	168	(5)	163
Unrelieved tax losses and unabsorbed capital allowances	859	(367)	492
	(482)	(357)	(839)

29 Financial instruments – fair values and risk management

The effect of initially applying IFRS 9 on the Group's financial instruments is described in note 7.2. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

29.1 Accounting classification and fair values

At 31 December 2018 and 2017, the carrying amount of financial assets and financial liabilities approximated their fair values. Level 1 prices have been applied to get to the amount disclosed for the fair value of the bonds in issue and debt securities- FVOCI, whereas Level 3 inputs have been used to arrive at the fair value of the marina held by IC Cesme. The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Assets and liabilities classified under financial assets at amortised costs and under other financial liabilities respectively are not measured at fair value.

31 December 2018	**Carrying amount**			
	FVOCI- debt instruments	**Financial assets at amortised costs**	**Other financial liabilities**	**Total**
	€000	**€000**	**€000**	**€000**
Investment in corporate debt securities	494	-	-	494
Loans to Parent company	-	3,950	-	3,950
Trade and other receivables	-	813	-	813
Cash and cash equivalents	-	8,325	-	8,325
Unsecured debt securities in issue	-	-	14,643	14,643
Bank overdraft	-	-	1	1
Trade and other payables	-	-	2,193	2,193
Contract liabilities	-	-	956	956
	=====	=====	======	======

29 Financial instruments – fair values and risk management (continued)

29.2 Measurement of fair values

Valuation techniques and significant unobservable inputs

The Group has currently no financial instruments in the statement of financial position which are measured at Level 2 and Level 3 of the fair value hierarchy. At 31 December 2018, FVOCI corporate debt securities with a carrying amount of €494k were measured using level 1 of the fair value hierarchy, by referring to their respective quoted prices in the local market.

29.3 Financial risk management

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

- credit risk
- liquidity risk, and
- market risk

29.4 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group, 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 Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

29.5 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amounts of financial assets represent the maximum credit exposure.

29.5.1 *Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in note 10. The majority of the Group's customers have been transacting with the Group for over four years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, industry, trading history with the Group and existence of previous financial difficulties.

29 Financial instruments – fair values and risk management (continued)

29.5 Credit risk (continued)

29.5.1 *Trade receivables (continued)*

At 31 December 2018, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	2018	2017
	€000	€000
Individuals	**146**	115
Legal entities	**425**	276
Agents	**242**	303
	------------	------------
	813	694
	=====	=====

29.5.1.1 *ECL assessment for corporate and individual customers as at 1 January and 31 December 2018*

With regards to corporate customers, the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

With regards to individual customers, the Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Since loss rates are based on actual credit loss experience over the past five years, the Group's weighted average loss rate for its receivables is less than 0.1%, and therefore no expected credit losses for trade receivables are registered as at 31 December 2018.

29.5.1.2 *Movements in the allowance for impairment in respect of trade receivables*

The movement in the allowance for impairment in respect of trade receivables during the period was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39. The increase in impairment losses related to a customer that was declared bankrupt during the year.

	2018	2017
	€000	€000
At 1 January	**11**	11
Loan allowance on specific trade receivables	**6**	-
	--------	--------
At 31 December	**17**	11
	===	====

29 Financial instruments – fair values and risk management (continued)

29.5 Credit risk (continued)

29.5.2 Debt securities and loan to Parent company

The Group limits its exposure to credit risk on debt securities – FVOCI by investing only in liquid debt securities that have the healthiest interest coverage ratios and gearing ratios, such as the net debt to EBITDA ratio. The Group then monitors changes in credit risk by tracking published annual financial statements of the companies in which the Group holds its debt securities, together with any significant changes in prices of such debt securities on the local stock exchange.

For loans to Parent company, see note 20.

The exposure to credit risk for debt securities at FVOCI and loan to Parent company at amortised cost at the reporting date by geographic region was as follows:

		2018	2017
	Note	**€000**	€000
Malta	19	**494**	-
Guernsey	20	**1,000**	1,000
Turkey	20.2	**2,950**	2,950
		4,444	3,950

29 Financial instruments – fair values and risk management (continued)

29.5 Credit risk (continued)

9.5.3 Cash and cash equivalents

The Group held cash and cash equivalents of €8,325k at 31 December 2018 (2017: €7,677k). The cash and cash equivalents are held with HSBC and BOV, which have a short-term rating of A-1 and A-2 respectively as per Standard and Poor’s (S&P’s).

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external ratings of S&P’s.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

On the initial application of IFRS 9, there was no impact on the loss allowance recognised.

Guarantees

As explained in note 20, the Company has pledged the amount due by the Company’s parent as security for funds borrowed.

29.6 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group 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 extreme circumstances that cannot reasonably be predicted. In addition, the Company avails itself of a general banking facility amounting to €1,747k (see note 25.3), of which €36k was utilised at 31 December 2018 (see note 25.1).

29 Financial instruments – fair values and risk management (continued)

29.6 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

	Carrying amount	Contractual cash flows	6 months or less	6 - 12 months	1 - 2 years	Over 3 years
	€000	€000	€000	€000	€000	€000
31 December 2018						
Financial Liabilities						
Debt securities in issue (see note 25.4)	**14,643**	**(21,075)**	**(340)**	**(335)**	**(675)**	**(19,725)**
Bank overdraft (see note 25.3)	**1**	**(1)**	**(1)**	**-**	**-**	**-**
Trade and other payables (see note 26)	**2,193**	**(2,193)**	**(2,193)**	**-**	**-**	**-**
	16,837	**(23,269)**	**(2,534)**	**(335)**	**(675)**	**(19,725)**
31 December 2017						
Financial Liabilities						
Debt securities in issue (see note 25.4)	14,610	(21,750)	(340)	(335)	(675)	(20,400)
Bank overdraft (see note 25.4)	2	(2)	(2)	-	-	-
Trade and other payables (see note 26)	1,817	(1,817)	(1,817)	-	-	-
	16,429	(23,569)	(2,159)	(335)	(675)	(20,400)

29 Financial instruments – fair values and risk management (continued)

29.7 Market risk

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

29.7.1 Currency risk

The Group's exposure to currency risk is limited to expenses that are denominated in a currency other than the Company's functional currency, primarily the British Pound (GBP), on intra-group balances. The Group it not exposed to exchange rate movements on the Turkish Lira other than in respect of the Group's share in the post-acquisition reserves of its equity-accounted investee. The Group 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.

29.7.2 Interest rate risk

The Group adopts a policy of ensuring that the majority of its interest rate risk exposure is at a fixed rate. This is achieved by entering into financial arrangements subject to fixed interest rates and other arrangements with a fixed interest margin over the bank's base rate.

During the year ended 31 December 2017, the Company issued bonds at a fixed rate of 4.50%. These are, therefore, not subject to interest rate fluctuations.

29.8 Market price risk

The Group's exposure to market price risk relates mainly to changes in the value of property, plant and equipment ("marina assets"). Marinas and marina related real estate are inherently difficult to value due to the individual nature and particular characteristics of each property. As a result, professional valuations are subject to uncertainty and there can be no assurance that estimates resulting from the valuation process will reflect the actual sale price achievable in the marketplace.

The market value of the marina assets, including that which is held through the Company's investment in the joint venture (IC Cesme), may be affected by general economic conditions, including changes in interest rates, inflation, and changes in the political and the economic climate.

Operating income and capital values may also be affected by other factors specific to the marina industry such as competition from other marina owners, the perceptions of berth holders (and prospective berth holders) of the attractiveness, convenience and safety of marinas, and increases in operating costs such as labour, maintenance and insurance etc. The Directors monitor market value by having annual valuations carried out by CBRE UK Ltd.

30 Commitments

No capital commitments were authorised and contracted for, or yet to be contracted for, at the reporting date and at the end of the comparative period.

31 Related parties

31.1 Parent and ultimate controlling party

The Company is a subsidiary of Camper & Nicholsons Marina Investments Limited ("CNMIL"), the registered office of which is situated at Bordage House, Le Bordage, St Peter Port Guernsey GY1 1BU. CNMIL prepares consolidated financial statements of the Group of which Grand Harbour Marina p.l.c. forms part.

31.2 Related party relationships, transactions and balances

Companies forming part of the CNMIL Group are considered by the directors to be related parties as these companies are ultimately owned by CNMIL. The transactions and balances with such parties were as follows:

	2018	2017
	€000	€000
Camper & Nicholsons Marinas Limited		
Balance payable at 1 January	**(37)**	(26)
As per Marina Services Agreement:		
Recruitment, operational service fees (2.5% of revenue subject to a minimum fee of GBP18k per annum)	**(119)**	(104)
Sales and marketing fees (fixed fee of GBP3.2k per month)	**(43)**	(44)
Management, finance and other related services and expenses	**(45)**	(107)
Cash movements	**138**	244
Balance payable at 31 December (see note 26)	**(106)**	(37)
Camper & Nicholsons Marinas International Limited		
Balance payable at 1 January	**(53)**	(4)
Royalty fees (1.5% of revenue excluding direct costs of utilities) as per Trade Mark License Agreement	**(60)**	(53)
Cash movements	**53**	4
Balance payable at 31 December (see note 26)	**(60)**	(53)

31 Related parties (continued)

31.2 Related party relationships, transactions and balances (continued)

	2018	2017
Camper & Nicholsons Marinas Investments Limited	**€000**	€000
Principal in respect of Cesme Cash Collateral (see note 20.1)	**2,950**	3,837
Principal advanced / (paid) during the year	**-**	(887)
Interest Accrued at 1 beginning of the year	**192**	207
Interest Accrued during the year	**29**	31
Interest paid during the year	**-**	(46)
Subtotal	**3,171**	3,142
Principal in respect of Loan Note 1 (see note 20.1)	**400**	400
Interest Accrued at beginning of the year	**18**	2
Interest Accrued during the year	**16**	16
Interest paid during the year	**(32)**	-
Subtotal	**402**	418
Principal in respect of Loan Note 2 (see note 20.1)	**600**	-
Principal advanced / (paid) during the year	**-**	600
Interest Accrued at beginning of the year	**19**	-
Interest Accrued during the year	**24**	19
Subtotal	**643**	619
Costs recharged to CNMIL	**5**	6
Cash movements	**(4)**	(6)
Subtotal	**1**	-
Balance receivable at 31 December 2018	**4,217**	4,179
Balance receivable, excluding principal of €3,950k (2017: €3,950k) at 31 December 2018 (see note 21.1)	**267**	229

32 Subsequent events

On the 1st February 2019, the Company announced that Mr Lawrence Zammit, the Chairman, has ceased to be an interim chief executive officer and Ms Elizabeth Ka-Yee Kan has been appointed as chief executive officer of the Company, with effect from 1st February 2019.

33 Litigation and claims

The Company's joint venture, IC Cesme, is disputing the following three claims:

i) The Group's joint venture, IC Cesme, is disputing a claim by the District Governorship of Cesme that the landside tenants/subtenants in Cesme should pay to the Governorship a charge of 1% on the annual revenues from 2010 to 2018 and in future years. This charge would ultimately be the responsibility of IC Cesme in the event that the Governorship's claim is successful and the tenants/subtenants do not make the payment. The Board of Directors of IC Cesme Marina, having consulted the Company's attorney, believes that this claim is contrary to the signed agreements and in this regard has initiated a legal case. As at 31 December 2018, the potential claim would amount to €704k (2017: €776k) with the Group's 45% share being €317k (2017: €350k) if IC Cesme had to make payment in full.

ii) IC Cesme, is disputing a claim and lawsuit by the Izmir Tax Inspection Board that it has incorrectly calculated the useful lives of certain assets and therefore the depreciation charge for the years between 2010 and 2013 resulting in a claim for payment of €145k tax, including an €87k penalty. The decision of Izmir 4th Tax Court was annulled in favour of the Company. Against this decision a request of appeal made to Regional Administrative Court has been lodged by the defendant Administration. The request of appeal of the defendant Administration has been refused. At this stage, the decision has been appealed by the defendant Administration. Parties are expecting the Council of State ("Danıştay") to rule. The Board of Directors of IC Cesme, having consulted the company's Attorney, believe the lawsuit will be cancelled in a subsequent period. However, in the event that it was not cancelled and IC Cesme lost the lawsuit, it would result in a liability of €109k (2017: €145k) with the Group's 45% share being €49k (2017: €65k).

iii) IC Cesme is also disputing a claim and lawsuit by a former tenant of Cesme Marina, Bolluca Turizm Gida San. ve Dis Tic.Ltd.Sti., which started a legal case against IC Cesme after its contract was terminated in 2011 due to the lack of rental payments. The Board of Directors of IC Cesme, having consulted the company's Attorney, consider that the claim is not valid. Izmir third Basic Commercial Court dismissed the case. The claimant made a request of appeal to Izmir Regional Court of Jusitce. The decision of the Izmir Regional Court of Justice is expected. However, as no accrual has been made, in the event that IC Cesme lost the lawsuit, it would result in a liability of €1,095k (2017: €1,439k) with the Group's 45% share being €493 (2017: €648k).

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Independent Auditors' Report

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

Report required by Listing Rule 5.98 issued by the Listing Authority in Malta

We are required, pursuant to Listing Rule 5.98, to express an opinion to the shareholders of Grand Harbour Marina p.l.c (the "Company") on specific disclosures in the Annual Report which relate to the directors' corporate governance statement (the "Disclosures") for the year ended 31 December 2018.

Specifically, with respect to the following matters noted in Listing Rule 5.100, we report whether:

(a) we have identified material misstatements with respect to the disclosures referred to in Listing Rule 5.97.4 and Listing Rule 5.97.5. Where any material misstatements are identified, we are required to provide an indication of the nature of such misstatements; and

(b) the other disclosures required by Listing Rule 5.97 have been provided.

Responsibilities of the Directors

Pursuant to Listing Rule 5.97, the directors are responsible for preparing the Disclosures that are free from material misstatement in accordance with the requirements of the Listing Rules.

Auditors' Responsibilities

Our responsibility is to examine the Disclosures and to report thereon in the form of a reasonable assurance conclusion based on our work. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

We apply International Standard on Quality Control 1 and, accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Independent Auditors' Report (continued)

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

Auditors' Responsibilities (continued)

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We are not required to, and we do not, consider whether the directors' statements on internal control and risk management systems cover all the risks and controls in relation to the financial reporting process or form an opinion on the effectiveness of the Company's corporate governance procedures or its risks and control procedures, nor on the ability of the Company to continue in operational existence. Our opinion in relation to the disclosures pursuant to Listing Rule 5.97.4 and Listing Rule 5.97.5 is based solely on our knowledge and understanding of the Company and its environment obtained in forming our opinion on the audit of the financial statements. We have not performed any procedures by way of audit, verification or review on the underlying information from which the other disclosures required by Listing Rule 5.97 is derived.

We also read the other information included in the Annual Report in order to identify any material inconsistencies with the Disclosures.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

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Independent Auditors' Report (continued)

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

Conclusion (continued)

In our opinion:

(a) in light of the knowledge and understanding of the Company and its environment obtained during the course of our audit of the financial statements, we have not identified material misstatements with respect to the following disclosures:

(i) the information referred to in Listing Rule 5.97.4, included in the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance, as this relates to the Company's internal control and risk management systems in relation to the financial reporting process; and

(ii) the information referred to in Listing Rule 5.97.5, included in the Directors' Report, insofar as it is applicable to the Company;

(b) the other disclosures required by Listing Rule 5.97 have been included in the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance, as these apply to the Company.

The Principal authorised to sign on behalf of KPMG on the work resulting in this assurance report is Giles Schembri.

KPMG
Registered Auditors

25 March 2019

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Independent Auditors' Report

To the Shareholders of Grand Harbour Marina plc

1 Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grand Harbour Marina plc (the "Company"), and of the Group of which the Company is the parent, which comprise the statements of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

(a) give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU; and

(b) have been properly prepared in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") and, additionally, specifically in relation to those of the Group, with the requirements of article 4 of the Regulation on the application of IFRS as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. During the course of our audit, we maintained our independence from the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Chapter 281, Laws of Malta) ("APA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period (selected from those communicated to the audit committee), and include a description of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters, together with our response by way of the audit procedures we performed to address that matter in our audit, and key observations arising with respect to such risks of material misstatement.

Recognition of short-term berthing revenue

Accounting policy note 6.3 to the financial statements and notes 7.1 and 10 for further disclosures

Revenue from short-term berthing (the "berthing revenue") (€3,369 thousand) included in 'Revenue'

The Company's berthing revenue is derived from contracts concluded with customers for either annual, seasonal or visitor berthing arrangements. Relevant auditing standards specify that there is a rebuttable presumption that a risk of fraud underlying the recognition of revenue exists. That risk may result from premature revenue recognition, or, conversely, from inappropriately delayed revenues to a later financial period, and the recording of unsubstantiated revenues. Manual intervention, volume of transactions, and transactions that are recognised over multiple periods underlie such risk, specific to the Company.

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Key audit matters (continued)

Our response

As part of our procedures on the berthing revenue:

— we assessed the design and implementation of the following controls, relevant to the recognition of berthing revenue:

- the reconciliation of the berths marked as occupied on the Company's register (and therefore to which an invoice has been issued) to berths actually occupied, through the performance of dock-walks; and
- specifically in relation to berthing services for which payment from the customer is received by the Company in advance, the reconciliation of the paid invoices issued for berthing services (as marked on the Company's electronic register) to the amounts deposited in the bank.

In addition, we assessed the design and implementation of the control over the reconciliation of berthing revenue (captured through the Company's electronic register) to the amounts recorded in the general ledger.

— we agreed a sample of berthing revenue transactions in the general ledger to signed contracts with berth-holders and the related receipt in the bank statement to assess the existence and accuracy of such revenue.

— for a sample of berthing revenue transactions (including reversal transactions of previously recognized revenue) around the reporting date, we assessed whether the related invoices and, where applicable, the related credit notes issued, have been recognised in the correct accounting period, taking into consideration the period of stay of the vessel.

— we evaluated historical berthing revenue, through the performance of a trend analysis that primarily assesses the impact of seasonality and the comparability of current financial period berthing revenue to prior year's results and evaluated explanations for any variation from the previous financial year.

— we performed a predictive revenue analysis on the basis of total berthing space, actual occupancy and average price for type of berth space, and evaluated the reasons for any variations between our analysis and actual revenue recorded by the Company for the year.

We have no key observations to report, specific to this matter.

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Key audit matters (continued)

Assumption underlying the recoverability of the Investment in Joint Venture

Accounting policy notes 6.1.5 and 6.10.3 to the financial statements and note 18 for further disclosures

<u>'Equity-accounted investee' (the "investment in joint venture") (€2,580 thousand)</u>

The Company holds an investment in a joint venture that operates a marina in Turkey. The carrying amount of that investment includes goodwill arising on acquisition. The Company's impairment assessment of this investment consists of the following steps:

1. recognising impairment losses, if any, for the joint venture's identifiable assets; and

2. testing the investment in the joint venture, in the event of an indication of possible impairment.

Due to geo-political risks associated with the jurisdiction where the joint venture is established, the directors have tested the investment to determine whether the recoverable amount is at least equal to its carrying amount. Significant judgement is involved in determining the recoverable amount, primarily as that evaluation includes the assessment of the key assumption relevant in arriving at the recoverable amount (namely, in relation to the yield applied, as explained in note 18.4), and, therefore, subject to estimation uncertainty.

Our response

As part of our procedures, we involved our valuation specialist to:

- evaluate the reasonableness of the key assumption used by the valuation expert engaged by the Company in determining the value of the joint venture's marina underlying the value of the Company's investment in the joint venture, through a comparison with industry-specific market data (relating to transaction multiples for similar marina assets); and

- assess the excess of the recoverable amount over its carrying amount, through a sensitivity analysis of the key assumption.

We have no key observations to report, specific to this matter.

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Other information

The directors are responsible for the other information which comprises:

— the 'Chairman's Statement';
— the 'Directors' Report';
— the 'Statement by the Directors on the Financial Statements and Other Information included in the Annual Report';
— the 'Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance'; and
— the 'Other Disclosures in terms of the Listing Rules',

but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, other than in the case of the directors' report on which we report separately below in our 'Opinion on the Directors' Report', we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that (a) give a true and fair view in accordance with IFRS as adopted by the EU, and (b) are properly prepared in accordance with the provisions of the Act, and, additionally, specifically in relation to those of the Group, with the requirements of article 4 of the Regulation on the application of IFRS as adopted by the EU. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Auditors' responsibilities for the audit of the financial statements (continued)

We also:

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

- Consider the extent of compliance with those laws and regulations that directly affect the financial statements, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we make enquiries of directors and other management, and inspect correspondence with the regulatory authority, as well as legal correspondence. As with fraud, there remains a higher risk of non-detection of other irregularities (whether or not these relate to an area of law directly related to the financial statements), as these may likewise involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

2 Opinion on the Directors' Report

The directors are responsible for preparing a directors' report in accordance with the provisions of article 177 of the Act and other applicable legal requirements, and is to include a statement that the Company is a going concern with supporting assumptions or qualifications as necessary, as required by Listing Rule 5.62 issued by the Listing Authority in Malta.

We are required to consider whether the information given in the directors' report for the accounting period for which the financial statements are prepared is consistent with those financial statements; and, if we are of the opinion that it is not, we shall state that fact in our report. We have nothing to report in this regard.

Pursuant to article 179(3) of the Act, we are also required to:

- express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements; and

- state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of our audit of the financial statements, we have identified material misstatements in the directors' report, giving an indication of the nature of any such misstatements.

Pursuant to Listing Rule 5.62 of the Listing Rules issued by the Listing Authority in Malta, we are required to review the directors' statement in relation to going concern.

In such regards:

- in our opinion, the directors' report has been prepared in accordance with the applicable legal requirements;

- we have not identified material misstatements in the directors' report; and

- we have nothing to report in relation to the statement on going concern.

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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc.

3 Report on Other Legal and Regulatory Requirements

Matters on which we are required to report by the Act, specific to public-interest entities

Pursuant to article 179B(1) of the Act, we report as under matters not already reported upon in our 'Report on the Audit of the Financial Statements':

- we were first appointed as auditors by the board of directors on 24 May 2006, and subsequently reappointed by the shareholders at the Company's general meetings for each financial year thereafter. Following the listing of the Company's shares on the Malta Stock Exchange, and excluding the initial period during which those shares were listed (that is, financial year ending 31 December 2007), the period of total uninterrupted engagement is eleven years;

- our opinion on our audit of the financial statements is consistent with the additional report to the audit committee required to be issued by the Audit Regulation (as referred to in the Act); and

- we have not provided any of the prohibited services as set out in the APA.

Matters on which we are required to report by exception by the Act

Pursuant to articles 179(10) and 179(11) of the Act, we have nothing to report to you with respect to the following matters:

- proper accounting records have not been kept; or

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

- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we require for the purpose of our audit.

The Principal authorised to sign on behalf of KPMG on the audit resulting in this independent auditors' report is Giles Schembri.

KPMG
Registered Auditors

25 March 2019