

Grand Harbour Marina p.l.c.

Annual Report

2016

Grand Harbour Marina p.l.c.

| | Page |
|---|-------------|
| Annual Report | |
| Chairman’s Statement | 1 |
| Directors’ Report | 7 |
| Statement by the Directors on the Financial Statements and Other Information included in the Annual Report | 14 |
| Directors’ Statement of Compliance with the Code of Principles of Good Corporate Governance | 15 |
| Other Disclosures in terms of the Listing Rules | 26 |
| Financial Statements | |
| Statements of Financial Position | 28 |
| Statements of Profit or Loss and Other Comprehensive Income | 29 |
| Statements of Changes in Equity | 30 |
| Statements of Cash Flows | 32 |
| Notes to the Financial Statements | 33 |
| Independent Auditors’ Report | |

Grand Harbour Marina p.l.c.

Chairman's Statement

For the Year Ended 31 December 2016

Overview

Group results in 2016 showed increases in revenues, EBITDA and profit before tax above the levels achieved in 2015. This was based on continued improvements in the performance at Grand Harbour Marina ("GHM"), and with the support of our joint venture partner, IC Holdings, improved performance at IC Cesme Marina Yatirim, Turizm ve İşletmeleri Anonim Şirketi ("IC Cesme"). A combined profit before tax of €0.92 million for the two businesses was achieved in 2016, compared to €0.53 million in 2015.

Summary of Group Results (ASSUMING PROPORTIONAL CONSOLIDATION OF INVESTMENTS IN JOINT VENTURES)

| | 2016 | | | 2015 | | |
|----------------------------------|----------------------|-----------------------|-------------|----------------------|-----------------------|----------|
| | Grand Harbour Marina | 45% Share of IC Cesme | Combined | Grand Harbour Marina | 45% Share of IC Cesme | Combined |
| All Figures in € millions | | | | | | |
| Revenues | 4.23 | 2.43 | 6.66 | 3.73 | 2.37 | 6.10 |
| EBITDA | 1.55 | 0.97 | 2.52 | 1.35 | 0.93 | 2.28 |
| Profit before tax | 0.46 | 0.46 | 0.92 | 0.19 | 0.34 | 0.53 |
| Profit / (Loss) after tax | 0.09 | 0.29 | 0.38 | (0.07) | 0.27 | 0.20 |

All figures above are shown before the impact of IFRS11 which would exclude the results of the Group's joint ventures from the detailed lines of the Statement of Comprehensive Income.

Grand Harbour Marina plc Consolidated

The Consolidated Financial Statements for the year ended 31 December 2016 include the 45% beneficial interest of the Company in IC Cesme and the results of a wholly owned subsidiary, the latter being immaterial.

Total revenue at Grand Harbour Marina increased from €3.73 million to €4.23 million, while the Group's share of revenues at IC Cesme Marina amounted to €2.43 million in 2016 compared to €2.37 million in 2015.

As reported in the Statements of Profit or Loss and Other Comprehensive Income, on a statutory basis, Group profit before tax for the year ended 31 December 2016, which includes our 45% share of the after-tax profits of IC Cesme, was €0.75 million (2015: €0.46 million). Without the benefit of berth sales, the Group has moved from a loss after tax of €0.10 million in 2013, to a profit after tax of €0.17 million, €0.20 million and €0.38 million in 2014, 2015 and 2016 respectively.

As at 29 March 2017 the Company's market capitalisation on the Malta Stock Exchange was €17.94 million.

Grand Harbour Marina p.l.c.

Chairman's Statement (continued)

For the Year Ended 31 December 2016

Grand Harbour Marina plc Consolidated (continued)

In accordance with the terms of the Bond issue made in 2010, GHM plc ("the Company") placed €0.81 million (2015: €0.71 million) in a sinking fund towards repayment of the Bond. The total amount available in the sinking fund as at 31 December 2016 amounted to €1.93 million.

The Board of Directors of GHM plc (the "Board"), in August 2016, declared a dividend of €480k (2.4 Euro cents per share) which was paid in September 2016.

During 2016, GHM provided no additional funding to IC Cesme (2015: €Nil).

Management Addition

On the 13 September 2016, Mr Andrew Farrugia was appointed in the new position of Chief Operating Officer of the Company.

Grand Harbour Marina

| €m | Annual Results | | | | |
|---------------------------|----------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Berth Sales | - | - | - | - | 3.1 |
| Marina operating revenues | <u>4.2</u> | <u>3.7</u> | <u>3.4</u> | <u>3.1</u> | <u>2.8</u> |
| Total revenues | <u>4.2</u> | <u>3.7</u> | <u>3.4</u> | <u>3.1</u> | <u>5.9</u> |
| Cost of Sales | <u>(1.0)</u> | <u>(0.8)</u> | <u>(0.8)</u> | <u>(0.7)</u> | <u>(1.2)</u> |
| Operating Expenses | <u>(1.7)</u> | <u>(1.6)</u> | <u>(1.6)</u> | <u>(1.5)</u> | <u>(2.1)</u> |
| EBITDA | <u>1.5</u> | <u>1.3</u> | <u>1.0</u> | <u>0.9</u> | <u>2.6</u> |
| PBT | <u>0.5</u> | <u>0.2</u> | <u>-</u> | <u>(0.1)</u> | <u>1.5</u> |
| Capital expenditure | <u>0.1</u> | <u>-</u> | <u>0.1</u> | <u>-</u> | <u>0.3</u> |

Increased tourist footfall in the area around the marina has resulted from the opening to the public of the UNESCO World Heritage site at Fort St. Angelo, the restoration of which was completed in 2015. With Malta holding the EU presidency until June 2017 the Government intends to use Fort St. Angelo for a number of high level summit meetings. The Maltese Minister for Transport & Infrastructure has stated that Malta's vision is to develop the island as a leading maritime and yachting hub in the Mediterranean. Transformation of the landside area around the marina is continuing with restoration works starting on the Captain of the Galleys' Palace and progress made on the American University of Malta project which is planned to open in the second half of 2017.

Grand Harbour Marina again hosted the finish and closing event for the 2016 Baille de Suffren classic yacht race in addition to numerous events for owners and their guests and captains and crews of boats berthing at the marina. The marina also provided berthing to some participants, including the winner, in the 2016 Rolex Middle Sea Race.

Grand Harbour Marina p.l.c.

Chairman's Statement (continued)

For the Year Ended 31 December 2016

Grand Harbour Marina (continued)

Financial Results

Sales revenues excluding berth sales increased by nearly 14% with berthing revenues increasing by 16% and utility revenues increasing by around 8%. The key factor in the increase in berthing revenues was the overall level of superyacht visitors. Since 2012 the compound growth in revenues, excluding berth sales, has been nearly 11%. Over the same period the level of operating expenses, excluding the impact of the 2012 berth sale, has increased by around 5% resulting in a high proportion of the revenue increase being reflected in EBITDA. 2016 EBITDA improved to €1.5 million an increase of 15% over the prior year. After finance charges of €0.7 million, primarily relating to the Bond interest cost and depreciation of €0.3 million, GHM achieved a €0.5 million profit before tax (2015: €0.2 million). GHM paid a €0.5 million (2015: Nil) dividend in September 2016.

Operational Performance

During 2016, Grand Harbour Marina improved the utilisation of the water area in the marina and increased the number of available pontoon nights to 79,056 (2015: 78,475) with 103% of this capacity sold during 2016, which reflected an increase of 3% over the number of berth nights sold in 2015. GHM invested more than €5k in 4 new superyacht berths which became operational at the end of September 2016, therefore extending the number of available superyacht berth nights to 13,178 (2015: 12,810). The Company also increased its superyacht occupancy to 79% in 2016 (2015: 53%), with growth in annual, seasonal and visitor berthing, with the superyacht annual and visitor berthing figures being the highest recorded to date.

Although there were a number of berth sale enquiries during the year, none of these has yet been converted into a completed sale. However, the resale of a 75m berth was completed during the year resulting in a €0.1 million fee being paid to GHM.

CBRE valued 100% of GHM at €23.2 million as at 31 December 2016 (2015: €23.1 million). This valuation compares with the market capitalisation of GHM on the Malta Stock Exchange on 29 March 2017 of €17.94 million.

Sales and Marketing

The increased marketing effort in the last three years has ensured that relations with customers remain strong and that the visibility of the Company in the yachting market remains high. The Company has continued to work with local agents and boat captains, to ensure that the experience enjoyed by superyacht visitors remains a very positive one.

Grand Harbour Marina p.l.c.

Chairman's Statement (continued)

For the Year Ended 31 December 2016

Grand Harbour Marina (continued)

Sales and Marketing (continued)

During 2016 the events offered to visitors at GHM included fleet racing, yacht rally, welcome parties, captain and crew parties and barbeques, wine and whisky tasting events. The Company continued to create partnerships with other service providers to render the crews' stay in Malta as enjoyable as possible.

GHM maintained its sponsorship agreement for the international classic boat race 'The Camper & Nicholson's Trophée Bailli de Suffren', which starts in Saint Tropez in France and ends at GHM in Malta. In July GHM hosted a christening event for the superyacht sailing classic 127' Atalante.

This exposure to the international yachting community was supported by the Company's presence in the international boat shows in Monaco, Genoa, and Palma, its presence in social media, and with an investment in a new Camper & Nicholson's website.

The Company co-sponsored and supported the Royal Malta Yacht Club by hosting maxi sailing yachts participating in 37th edition of Rolex Middle Sea Race.

Thanks to the marketing expertise of Camper & Nicholson's, GHM is positioned as one of the leading yachting centres of the Mediterranean, and the development of this activity has proven to produce significant economic benefits for the whole country.

Following the completion of the restoration work of the historic Fort Saint Angelo during 2015, in addition to creating an appropriate backdrop to the superyacht berthing area of the marina, the Government of Malta hosted two major events, the Commonwealth Heads of Government Conference which took place in November 2015, and the EU Summit in February 2017. Marina related events are also held at the Fort to enhance the GHM experience for boat owners, their guests and crew.

Corporate Social Responsibility

The Company has continued to support the Community in Cottonera, and supported events organised by the Local Council of Birgu, 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.

Grand Harbour Marina p.l.c.

Chairman's Statement (continued)

For the Year Ended 31 December 2016

IC Cesme Marina

| €m | Annual Results (for 100% of the Marina) | | | | |
|---------------------|---|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| Seaside revenues | 3.1 | 3.1 | 2.8 | 2.4 | 2.2 |
| Landside revenues | <u>2.3</u> | <u>2.2</u> | <u>2.0</u> | <u>2.0</u> | <u>1.9</u> |
| Total revenues | <u>5.4</u> | <u>5.3</u> | <u>4.8</u> | <u>4.4</u> | <u>4.1</u> |
| Cost of Sales | (0.4) | (0.3) | (0.4) | (0.4) | (0.4) |
| Operating expenses | <u>(2.9)</u> | <u>(2.9)</u> | <u>(2.2)</u> | <u>(2.5)</u> | <u>(2.4)</u> |
| EBITDA | <u>2.1</u> | <u>2.1</u> | <u>2.2</u> | <u>1.5</u> | <u>1.3</u> |
| PBT | <u>1.0</u> | <u>0.8</u> | <u>0.8</u> | <u>0.1</u> | <u>(0.3)</u> |
| Capital expenditure | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.6</u> |

Financial Results

Revenues in 2016 increased by €0.1 million from the levels achieved in 2015 with all of the increase generated by the landside operations. When considered in local currency however revenues increased by 13% over 2015 with landside up 16% and seaside up 11%. Since 2012 Cesme has shown compound growth in revenues in Euros in excess of 7% per annum in spite of a 31% reduction in the average Turkish Lira to Euro exchange rate which impacts on some of the landside revenues. Operating expenses remained flat at €2.9 million with reduced operator fees and the benefit of the weak Turkish currency applied to some local costs offsetting the impact of cost inflation. After net finance charges and depreciation of €0.4 million and €0.8 million respectively, Cesme made a profit before tax of €1.0 million (2015: €0.8 million). With brought forward losses now all utilised, Cesme incurred a €0.4 million (2015: €0.15 million) tax charge in the year.

The Group's 45% share of Cesme's after tax profits was €0.29 million (2015: €0.27 million) and this is included within its total share of profits of equity accounted investees, net of tax.

Operational Performance

Having added 21 small berths in 2015, management succeeded in realigning some pontoon berths during the year and added a further 9 new berths increasing the number of berths available to 394. At the end of 2016, there were 357 boats on annual contracts with a further 37 boats contracted on a seasonal basis. The marina remains at full occupancy in terms of berth numbers however the opportunity to continue to grow revenues remains as the marina is only 75% full in terms of berthing area and management is continuing to try to increase the average size of boats in the marina as annual contract renewals occur. The political and economic situation in Turkey resulted in 10% decrease in the average rate for the Turkish Lira against the Euro as compared with 2015. This had a beneficial impact on operating expenses but an adverse impact on landside revenues as in each case some are denominated in Turkish Lira. By the end of the year the exchange rate had decreased a further 10% from the average rate during the year and was nearly 15% below the rate at the end of 2015. As in previous years a number of berth holders did not renew their annual contracts with changing location and sale of the boat the most common explanations, not price. Management however were successful in finding new annual berth holders with a small net increase in the number of berths let and the square meterage let.

Grand Harbour Marina p.l.c.

Chairman's Statement (continued)

For the Year Ended 31 December 2016

IC Cesme Marina (continued)

Operational Performance (continued)

The retail properties remained fully occupied during the year with management continually looking to improve the quality of the customer offering. The full year effect of the significant renegotiation exercise completed in 2015 led to further increases in rents in local currency, particularly fixed rents and common area charges with landside income increasing by 15% before the adverse impact of the weak local currency.

CBRE valued 100% of Cesme Marina at €18.3 million as at 31 December 2016 which is a small decrease on their €18.9 million valuation as at 31 December 2015, reflecting primarily the one year reduction in the remaining life of the BOT contract.

Group Outlook

Although the international political and economic environment remain difficult, the Company is well positioned today to exploit the development opportunities presented by the market. The robust approach adopted in the last years to improve performance, make efficiency gains and maximise revenue have delivered the expected results and strengthened the Company.

The Board expresses its appreciation to our major shareholder, Camper & Nicholsons Marina Investments Ltd for its support, and our joint venture partners in Turkey, Ibrahim Cecen Investment Holding AS, for its valuable input.



Lawrence Zammit
Chairman

Grand Harbour Marina p.l.c.

Directors' Report

For the Year Ended 31 December 2016

The directors have prepared this director's report for Grand Harbour Marina plc (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, together with the financial statements for the year ended 31 December 2016.

Board of Directors

Lawrence Zammit (Chairman)
Sir Christopher Lewinton
Clive Peter Whiley
David Martin Bralsford
Franco Azzopardi
Roger St John Hulton Lewis

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 super-yachts, 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, 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 2016, 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 Grand Harbour Marina 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.

Grand Harbour Marina p.l.c.

Directors' Report (continued)

For the Year Ended 31 December 2016

Principal Risks and Uncertainties

A financial risk management overview is given in note 24 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 operational and cash flow forecasts covering the years 2017 to 2021. On the basis of this review, after making enquiries, and in the light of the current financial position, 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 and the Group have adequate resources to continue in operational existence for the foreseeable future.

Dividends and Reserves

The Company paid an interim dividend of €0.48 million during 2016 (2015: €Nil). The directors of the Company are not proposing the payment of any final dividend.

The movements on reserves are as set out in the Statements 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.

Subsequent events

No significant events have taken place since the financial reporting date that would have otherwise required adjustment to or disclosure in these financial statements.

Grand Harbour Marina p.l.c.

Directors' Report (continued)

For the Year Ended 31 December 2016

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;

Grand Harbour Marina p.l.c.

Directors' Report (continued)

For the Year Ended 31 December 2016

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 2016, 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 plc (as custodian/trustee) holds in aggregate 1,767,160 shares in the Company (representing 8.84% 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.

Grand Harbour Marina p.l.c.

Directors' Report (continued)

For the Year Ended 31 December 2016

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;

Grand Harbour Marina p.l.c.

Directors' Report (continued)

For the Year Ended 31 December 2016

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)

For the Year Ended 31 December 2016

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 29 March 2017 and signed on its behalf by:



Lawrence Zammit
Chairman



Franco Azzopardi
Director

Registered Office

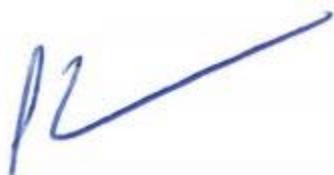
Vittoriosa Wharf
Vittoriosa
Malta

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, financial position and loss 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 29 March 2017 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, Grand Harbour Marina p.l.c. (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, all of whom 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

During 2016, the chairmanship of the Company was vested with Mr Lawrence Zammit and the position of Chief Executive Officer was occupied by Mr Clive Whiley. The roles of the Chief Executive Officer and of the Chairman are separate from each other.

The Chairman is 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 Chief Executive Officer develops a strategy which is agreed to by the Board. On the other hand, the Chief Executive Officer led the Company's management team and ensured that the Company is being managed in line with the strategies and policies set by the Board.

Grand Harbour Marina p.l.c.

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

Part 1: Compliance with the Code (continued)

Principle 3: Composition of the Board

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. 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.

During the period under review, the Board consisted of five (5) non-executive directors (one of whom is the Chairman of the Company) and one (1) executive director. Mr Lawrence Zammit and Mr Franco Azzopardi are considered to be independent. 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 policies. 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.

The Board has established a clear and external reporting system to ensure that the board has access to accurate, relevant and timely information.

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 2016, the Board met 6 times. Meetings were attended as follows:

Grand Harbour Marina p.l.c.

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)

| Members | No of Meetings held: (6) Attended |
|----------------------------|--|
| Lawrence Zammit (Chairman) | 6 |
| Sir Christopher Lewinton | 5 |
| Clive Peter Whiley | 6 |
| David Martin Bralsford | 6 |
| Franco Azzopardi | 5 |
| Roger St John Hulton Lewis | 6 |

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. In addition, unless otherwise dealt with in any other manner prescribed by the Listing Rules, 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. 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 Mr Lawrence Zammit (non-executive director and Chairman of the Company), Mr Franco Azzopardi (non-executive director) and Mr Martin Bralsford (non-executive director). The Chairman of the Audit Committee is appointed by the Board and is independent of the Company. Mr Lawrence Zammit and Mr Franco Azzopardi are independent and satisfy the independence criteria set out in Listing Rule 5.117.

During 2016, the Audit Committee met 6 times.

| Members | No of Meetings held: (6) Attended |
|------------------|--|
| Lawrence Zammit | 6 |
| Franco Azzopardi | 6 |
| 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.

Grand Harbour Marina p.l.c.

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)

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 1985 and received a Master of Science in Finance from the University of Leicester in 2006. The Board considers that the committee members as a whole have the competence relevant to the marina sector.

Senior Executive Management

On the 13 September 2016, Mr Andrew Farrugia was appointed as Chief Operating Officer of the Company.

The Chief Executive Officer 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 Chief Executive Officer reports directly to the Board of the Company. The Company's senior management is appointed by the Board.

The Board is responsible for setting the business strategy and overall corporate governance of the Company. The General Manager and Chief Operating 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 Cesme 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 Alkatan).

Principle 6: Information and Professional Development

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 Camper & Nicholsons Marina Limited provides the necessary tool for succession planning purposes. The value added by having this marina service agreement with Camper & Nicholsons Marinas Limited 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 is the responsibility of the Chief Executive Officer and are approved by the Board.

Grand Harbour Marina p.l.c.

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

Part 1: Compliance with the Code (continued)

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 the Company's parent company Camper & Nicholsons Marina Investments Limited to evaluate the remuneration of the senior executives of the Company and submit 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.

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.

Grand Harbour Marina p.l.c.

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

Part 1: Compliance with the Code (continued)

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. In such instances, 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 Birgu, 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.

Part 2: Non-Compliance with the Code

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.

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.

Grand Harbour Marina p.l.c.

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

Internal Control and Risk Management

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

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

Organisation The Company operates through the 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.

Listing Rule 5.97.5

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

Grand Harbour Marina p.l.c.

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

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.

Grand Harbour Marina p.l.c.

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

Listing Rule 5.97.5 (continued)

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.

Grand Harbour Marina p.l.c.

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

Listing Rule 5.97.5 (continued)

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, Camper & Nicholsons Marina Investments Limited. 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 by 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 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)

Listing Rule 5.97.5 (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-nine thousand Euros (Euro49,000) (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 29 March 2017 by:



Franco Azzopardi
Director and Member 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 Camper & Nicholsons Marinas Limited

On the 1 July 2007, the Company entered into a Marina Service Agreement with Camper & Nicholsons Marinas Limited ("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 GBP18,000 per annum;
2. sales and marketing - GBP3,200 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 GBP1,000 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 GBP10,000 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:-

Sir Christopher Lewinton
Mr Clive Peter Whiley
Mr David Martin Bralsford
Mr Roger St. John Hulton Lewis

Grand Harbour Marina p.l.c.

Other Disclosures in terms of the Listing Rules

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.

Statements of Financial Position

As at 31 December 2016

| | | 2016 | 2016 | 2015 | 2015 |
|--------------------------------------|------|---------------|---------------|--------|---------|
| | | Group | Company | Group | Company |
| | Note | €000 | €000 | €000 | €000 |
| ASSETS | | | | | |
| Property, plant and equipment | 13 | 5,435 | 5,435 | 5,680 | 5,680 |
| Deferred costs | | 491 | 491 | 491 | 491 |
| Investment in subsidiary company | 14 | - | - | - | - |
| Investment in joint venture | 15 | 2,518 | 2,174 | 2,257 | 2,174 |
| Loans to Parent company | 16 | 4,237 | 4,237 | 3,837 | 3,837 |
| Assets held in trust | 17 | 1,926 | 1,926 | 1,118 | 1,118 |
| Total non-current assets | | 14,607 | 14,263 | 13,383 | 13,300 |
| Trade and other receivables | 19 | 1,088 | 1,088 | 889 | 889 |
| Cash at bank and in hand | 23 | 1,087 | 1,087 | 1,938 | 1,938 |
| Total current assets | | 2,175 | 2,175 | 2,827 | 2,827 |
| Total assets | | 16,782 | 16,438 | 16,210 | 16,127 |
| EQUITY | | | | | |
| Share capital | 20 | 2,400 | 2,400 | 2,400 | 2,400 |
| Exchange translation reserve | 20 | (104) | - | (42) | - |
| Retained earnings | 20 | 534 | 86 | 606 | 481 |
| Total equity | | 2,830 | 2,486 | 2,964 | 2,881 |
| LIABILITIES | | | | | |
| Borrowings | 21 | 10,810 | 10,810 | 10,762 | 10,762 |
| Deferred tax liability | 18 | 482 | 482 | 104 | 104 |
| Total non-current liabilities | | 11,292 | 11,292 | 10,866 | 10,866 |
| Borrowings | 21 | 1 | 1 | 2 | 2 |
| Trade and other payables | 22 | 2,659 | 2,659 | 2,378 | 2,378 |
| Total current liabilities | | 2,660 | 2,660 | 2,380 | 2,380 |
| Total liabilities | | 13,952 | 13,952 | 13,246 | 13,246 |
| Total equity and liabilities | | 16,782 | 16,438 | 16,210 | 16,127 |

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

The financial statements on pages 28 to 84 were approved and authorised for issue by the Board of Directors on 29 March 2017 and signed on its behalf by:



Lawrence Zammit
Chairman



Franco Azzopardi
Director

Grand Harbour Marina p.l.c.

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2016

| | | 2016 | 2016 | 2015 | 2015 |
|--|------|--------------------|--------------------|-------------|---------------|
| | | Group | Company | Group | Company |
| | Note | €000 | €000 | €000 | €000 |
| Continuing operations | | | | | |
| Revenue | 7 | 4,231 | 4,231 | 3,727 | 3,727 |
| Personnel expenses | 8 | (425) | (425) | (391) | (391) |
| Directors' emoluments | | (49) | (49) | (49) | (49) |
| Depreciation | 13 | (309) | (309) | (309) | (309) |
| Other operating expenses | 9 | (2,211) | (2,211) | (1,933) | (1,933) |
| Operating profit | | 1,237 | 1,237 | 1,045 | 1,045 |
| Finance income | 10 | 45 | 45 | 50 | 50 |
| Finance costs | 10 | (819) | (819) | (903) | (903) |
| Net finance costs | | (774) | (774) | (853) | (853) |
| Share of profit of equity-accounted investees, net of tax | 15 | 290 | - | 271 | - |
| Profit before tax | | 753 | 463 | 463 | 192 |
| Income tax expense | 11 | (378) | (378) | (262) | (262) |
| Profit / (loss) | | 375 | 85 | 201 | (70) |
| Other comprehensive income | | | | | |
| <i>Items that are or may be reclassified to profit or loss</i> | | | | | |
| Foreign currency translation differences - equity accounted investee | 15 | (29) | - | (13) | - |
| Other comprehensive income, net of tax | | (29) | - | (13) | - |
| Total comprehensive income | | 346 | 85 | 188 | (70) |
| Earnings / (loss) per share (rounded) | 12 | 0.017 cents | 0.004 cents | 0.009 cents | (0.004 cents) |

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

Grand Harbour Marina p.l.c.

Statements of Changes in Equity

For the Year Ended 31 December 2016

| | Share capital | Translation reserve | Retained earnings | Total |
|---|------------------|------------------------|----------------------|--------------|
| | €000 | €000 | €000 | €000 |
| Group | | | | |
| Balance as at 1 January 2015 | 2,329 | 5 | 442 | 2,776 |
| Total comprehensive income | | | | |
| Profit | - | - | 201 | 201 |
| Other comprehensive income: | | | | |
| Foreign currency translation differences – Equity accounted investee | - | (47) | 34 | (13) |
| Total comprehensive income | - | (47) | 235 | 188 |
| Other equity movements | | | | |
| Redenomination of share capital | 71 | - | (71) | - |
| Balance at 31 December 2015 | 2,400 | (42) | 606 | 2,964 |
| Balance as at 1 January 2016 | 2,400 | (42) | 606 | 2,964 |
| Total comprehensive income | | | | |
| Profit | - | - | 375 | 375 |
| Other comprehensive income: | | | | |
| Foreign currency translation differences – equity accounted investee | - | (62) | 33 | (29) |
| Total comprehensive income | - | (62) | 408 | 346 |
| Transactions with owners of the Company | | | | |
| Dividends | - | - | (480) | (480) |
| Balance at 31 December 2016 | 2,400 | (104) | 534 | 2,830 |

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

Grand Harbour Marina p.l.c.

Statements of Changes in Equity (continued)

For the Year Ended 31 December 2016

| | Share capital | Retained earnings | Total |
|--|------------------|----------------------|--------------|
| | €000 | €000 | €000 |
| Company | | | |
| Balance as at 1 January 2015 | 2,329 | 622 | 2,951 |
| Total comprehensive income | | | |
| Loss | - | (70) | (70) |
| Total comprehensive income | - | (70) | (70) |
| Other equity movements | | | |
| Redenomination of share capital | 71 | (71) | - |
| Balance at 31 December 2015 | 2,400 | 481 | 2,881 |
| Balance as at 1 January 2016 | 2,400 | 481 | 2,881 |
| Total comprehensive income | | | |
| Profit | - | 85 | 85 |
| Total comprehensive income | - | 85 | 85 |
| Transactions with owners of the Company | | | |
| Dividends | - | (480) | (480) |
| Balance at 31 December 2016 | 2,400 | 86 | 2,486 |

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

Grand Harbour Marina p.l.c.

Statements of Cash Flows

For the Year Ended 31 December 2016

| | 2016 | 2016 | 2015 | 2015 |
|---|-----------------|----------------|---------|---------|
| | Group | Company | Group | Company |
| Note | €000 | €000 | €000 | €000 |
| Cash flows from operating activities | | | | |
| Profit / (loss) | 375 | 85 | 201 | (70) |
| Adjustments for: | | | | |
| Depreciation | 309 | 309 | 309 | 309 |
| Increase / (reversal) of provision for doubtful debts | 5 | 5 | (1) | (1) |
| Share of profit of equity accounted investee | (290) | - | (271) | - |
| Interest receivable | (45) | (45) | (50) | (50) |
| Interest payable | 771 | 771 | 778 | 778 |
| Amortisation of bond issue costs | 48 | 48 | 51 | 51 |
| Premium on bond buybacks | - | - | 74 | 74 |
| Gain on disposal of property, plant and equipment | (1) | (1) | - | - |
| Income tax expense | 378 | 378 | 262 | 262 |
| | <u>1,550</u> | <u>1,550</u> | 1,353 | 1,353 |
| Change in trade and other receivables | (165) | (165) | (154) | (154) |
| Change in trade and other payables | 281 | 281 | 4 | 4 |
| Cash generated from operations | 1,666 | 1,666 | 1,203 | 1,203 |
| Interest received | 7 | 7 | 10 | 10 |
| Net cash from operating activities | <u>1,673</u> | <u>1,673</u> | 1,213 | 1,213 |
| Cash flows from investing activities | | | | |
| Additions of property, plant and equipment | (67) | (67) | (22) | (22) |
| Proceeds from disposal of plant and equipment | 2 | 2 | 2 | 2 |
| Net transfer of cash to assets held in trust | (808) | (808) | (48) | (48) |
| Loan to parent company | (400) | (400) | - | - |
| Cash used in investing activities | <u>(1,273)</u> | <u>(1,273)</u> | (68) | (68) |
| Cash flows from financing activities | | | | |
| Bonds bought back | - | - | (756) | (756) |
| Dividends paid | (480) | (480) | - | - |
| Interest paid | (770) | (770) | (795) | (795) |
| Cash used in financing activities | <u>(1,250)</u> | <u>(1,250)</u> | (1,551) | (1,551) |
| Net decrease in cash and cash equivalents | <u>(850)</u> | <u>(850)</u> | (406) | (406) |
| Cash and cash equivalents at 1 January | 1,936 | 1,936 | 2,342 | 2,342 |
| Cash and cash equivalents at 31 December | 23 <u>1,086</u> | <u>1,086</u> | 1,936 | 1,936 |

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

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1 Reporting entity

Grand Harbour Marina p.l.c. (the "Company") is a public limited liability company domiciled and incorporated in Malta. The consolidated financial statements of the Group as at and for the year ended 31 December 2016 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"), a company listed on the AIM of the London Stock Exchange.

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

2 Basis of accounting

2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU. All references in these financial statements to IAS, IFRS or SIC / IFRIC interpretations refer to those adopted by the EU. They have also been drawn up in accordance with the provisions of the Companies Act, 1995 (Chapter 386, Laws of Malta) and Article 4 of Regulation 1606/2002/EC which requires companies having their securities traded on a regulated market of any EU Member State to prepare their consolidated financial statements in conformity with IFRS as adopted by the EU. Details of the accounting policies are included in note 3.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and on the going concern basis as explained below:

As at the reporting date the Company's and the Group's current liabilities exceeded its current assets. The directors have prepared projected financial information covering the financial years ending 2017 to 2021. On the basis of this information, the directors consider it appropriate to continue to prepare the financial statements on the going concern basis.

2.3 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.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2 Basis of accounting (continued)

2.4 Use of judgements and estimates

In preparing these financial statements management has made judgements, estimates and assumptions 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 the estimates. Estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2.4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements is included in the following note 3.7 – revenue recognition.

3 Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see accounting policy 3.1.2). 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 accounting policy 3.5). 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 payable 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 re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair values of the contingent consideration are recognised in profit or loss.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

3.1.2 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.

3.1.3 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.

3.1.4 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.

3.1.5 Interest in equity-accounted investees

Interest in associates and 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.

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

3.1.5 Interest in equity-accounted investees (continued)

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to assets, and obligations for the liabilities relating to an arrangement, it accounts for each of its assets, liabilities and transactions including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the Group has rights only to the net assets of the arrangement, it accounts for its interest using the equity method. Joint ventures are recognised initially at cost which includes acquisition costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, until the date on which joint control ceases.

3.1.6 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.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in a foreign currency are initially translated into the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency rate at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences are generally recognised in profit or loss.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.2 Foreign currency (continued)

3.2.2 Foreign operations

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

Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve ("translation reserve") in equity, except to the extent that the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of, either entirely or partially, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of only part of its interest in a subsidiary but retains control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising from such item form part of a net investment in the foreign operation and are recognised in other comprehensive income, and accumulated in the translation reserve in equity.

3.3 Financial instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

3.3.1 Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivable and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.1 Non-derivative financial assets and financial liabilities – recognition and derecognition (continued)

The Group derecognises a financial asset when the contractual rights to the cash flows from the 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 assets are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

3.3.2 Non-derivative financial assets - measurement

3.3.2.1 Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents in the consolidated Statement of Financial Position comprise cash at banks and at hand and short term deposits with an original maturity of three months or less. For the purposes of the consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

3.3.3 Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

3.3.4 Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Property, plant and equipment of the Group includes super-yacht berths that have been completed but not yet licensed (see below), pontoons, improvements to leased property, motor vehicles and office equipment.

Items of property, plant and equipment are measured at cost less accumulated depreciation (see accounting policy 3.4.3) and any accumulated impairment losses (see accounting policy 3.5.2).

Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 plc licenses out super-yacht berths, typically for periods ranging between 25 to 30 years (see accounting policy 3.7.1). 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.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

3.4.1 Recognition and measurement (continued)

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.

3.4.2 Subsequent expenditure

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

3.4.3 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.

Depreciation is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets in the course of construction are not depreciated.

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

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

Super-yacht 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 3.4.1.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.5 Impairment

3.5.1 *Non-derivative financial assets*

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired included matters such as:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indication that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers.

3.5.1.1 *Financial assets measured at amortised cost*

The Group considered evidence of impairment of these assets at an individual asset level.

An impairment loss is 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 are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

3.5.1.2 *Equity-accounted investees*

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.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.5 Impairment (continued)

3.5.2 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.

For impairment testing, assets are grouped together into the smallest group of assets that generated 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 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.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.6 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 plan are recognised in profit or loss.

3.7 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must be met before revenue is recognised:

3.7.1 Licensing of long-term super-yacht berths

Revenue from such licensing (see accounting policy 3.4.1) is recognised in the profit or loss on the signing of the licensing agreements with the berth-holders, on the basis that they give effect to the sale of the Company's right to the use of such berths.

3.7.2 Other berthing revenues, revenue from ancillary services and income from tenants, concessions and technical services

Such revenue is recognised in profit or loss in the period in which the services to which they relate are rendered.

3.8 Deferred income

Deferred income is recognised within trade and other payables in the Statement of Financial Position and relates to revenue received for services not yet rendered at the reporting date.

3.9 Leases

3.9.1 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 such an 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.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.9 Leases (continued)

3.9.2 Leased assets

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its 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 such as the lease of land with an indefinite economic life, where title is not expected to pass to the Group by the end of the lease term, are classified as operating leases and are not recognised in the Group's Statement of Financial Position.

3.9.3 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.

3.10 Finance income and finance costs

Finance income includes interest income on funds invested, foreign currency gains, dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, amortised bond issue costs, impairment losses recognised on financial assets (other than trade receivables) and foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset (see accounting policy 3.4.1) are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.11 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 items recognised directly in equity or in other comprehensive income.

3.11.1 Current tax

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

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

3.11.2 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 unrelieved tax losses, unabsorbed capital allowances and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be used. 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 by 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.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Significant accounting policies (continued)

3.12 Earnings / (loss) per share

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

3.13 Segment reporting

Segment results that are reported to the CEO of Grand Harbour Marina plc, (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.

4 New standards and interpretations not yet adopted

4.1 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for periods starting after 1 January 2016, nor endorsed by the EU, and have not been applied in preparing these financial statements. The most salient one to the Group is the following:

IFRS 16 Leases

IFRS 16, introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and lease liability representing its obligation to make lease payments. There are optional 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 replaces existing lease guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

Concurrently there are a number of new standards, amendments to standards and interpretations that have been issued, which while are not yet effective for periods starting after 1 January 2016, and have not been applied in preparing these financial statements, have in the meantime been endorsed by the EU. The more relevant ones to the Group are the following:

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

4 Significant accounting policies (continued)

4.1 New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaced the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The directors are still evaluating the impact of the above IFRSs on the financial statements for future reporting periods.

5 Determination of fair values

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

When measuring the fair value of an asset or a liability, the Group uses market observable 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 might be categorised in 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.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

5 Determination of fair values (continued)

The Group recognises transfers, if any, between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair value is included in Note 24 – financial instruments.

6 Operating segments

6.1 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 super-yachts.

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

| 31 December 2016: | Grand Harbour Marina | IC Cesme Marina | Total for Reportable Segments |
|-----------------------------|-------------------------------------|----------------------------|--|
| | €000 | €000 | €000 |
| Segment revenues - external | 4,231 | 5,391 | 9,622 |
| Interest income | 45 | 97 | 142 |
| Interest expense | (819) | (444) | (1,263) |
| Depreciation | (309) | (778) | (1,087) |
| Capital expenditure | 66 | 111 | 177 |
| | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

6 Operating segments (continued)

6.1 Information about reportable segments (continued)

| Reconciliation to Consolidated Amounts | | | |
|---|--|----------------------------|--|
| | Total for Reportable Segments | Eliminations | Group |
| | €000 | €000 | €000 |
| Segment revenues - external | 9,622 | (5,391) | 4,231 |
| Interest income | 142 | (97) | 45 |
| Interest expense | (1,263) | 444 | (819) |
| Depreciation | (1,087) | 778 | (309) |
| Capital expenditure | 177 | (111) | 66 |
| | ===== | ===== | ===== |
| | Grand Harbour Marina | IC Cesme Marina | Total for Reportable Segments |
| | €000 | €000 | €000 |
| Reportable segment assets | 16,438 | 18,488 | 34,926 |
| Reportable segment liabilities | (13,952) | (16,676) | (30,628) |
| | ===== | ===== | ===== |

| Reconciliation to Consolidated Amounts | | | |
|---|--|---------------------|-----------------|
| | Total for Reportable Segments | Eliminations | Group |
| | €000 | €000 | €000 |
| Reportable segment assets | 34,926 | (18,488) | 16,782 |
| Reportable segment liabilities | (30,628) | (16,676) | (13,952) |
| | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

6 Operating segments (continued)

6.1 Information about reportable segments (continued)

Reportable Group segment assets and liabilities for 2016 are reconciled as follows:

| | | | |
|--|-------------------------------------|----------------------------|--|
| Assets | | | €000 |
| Total assets of Grand Harbour Marina p.l.c. | | | 16,438 |
| Share of post-acquisition profits of joint venture brought forward | | | 83 |
| Share of profits of joint venture for the year, net of foreign currency translation differences | | | 261 |
| | | | <hr/> |
| Consolidated assets | | | 16,782 |
| | | | ===== |
| Liabilities | | | €000 |
| Total liabilities for reportable segments | | | (13,952) |
| | | | <hr/> |
| Consolidated liabilities | | | (13,952) |
| | | | ===== |
| | Grand Harbour Marina | IC Cesme Marina | Total for Reportable Segments |
| | €000 | €000 | €000 |
| Reportable segment profit before tax | 463 | 1,028 | 1,491 |
| | ===== | ===== | ===== |

Reportable Group segment profit before tax for 2016 is reconciled as follows:

Reconciliation to Consolidated Amounts

| | | | |
|--------------------------------------|--|---------------------|--------------|
| | Total for Reportable Segments | Eliminations | Group |
| | €000 | €000 | €000 |
| Reportable segment profit before tax | 1,491 | (738) | 753 |
| | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

6 Operating segments (continued)

6.1 Information about reportable segments (continued)

Reportable Group segment profit before tax for 2016 is reconciled as follows:

| | |
|---|-------------|
| Profit before tax | €000 |
| Total profit before tax for reportable segments | 753 |
| Consolidated profit before tax | 753 |
| | ===== |

The comparative figures are analysed as follows:

| 31 December 2015: | Grand Harbour Marina | IC Cesme Marina | Total for Reportable Segments |
|-----------------------------|-------------------------------------|----------------------------|--|
| | €000 | €000 | €000 |
| Segment revenues - external | 3,727 | 5,275 | 9,002 |
| Interest income | 50 | 60 | 110 |
| Interest expense | (903) | (503) | (1,406) |
| Depreciation | (309) | (867) | (1,176) |
| Capital expenditure | 22 | 121 | 143 |
| | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

6 Operating segments (continued)

6.1 Information about reportable segments (continued)

Reconciliation to Consolidated Amounts

| | Total for Reportable Segments | Eliminations | Group |
|--------------------------------|--|----------------------------|--|
| | €000 | €000 | €000 |
| Segment revenues - external | 9,002 | (5,275) | 3,727 |
| Interest income | 110 | (60) | 50 |
| Interest expense | (1,406) | 503 | (903) |
| Depreciation | (1,176) | 867 | (309) |
| Capital expenditure | 143 | (121) | 22 |
| | ===== | ===== | ===== |
| | Grand Harbour Marina | IC Cesme Marina | Total for Reportable Segments |
| | €000 | €000 | €000 |
| Reportable segment assets | 16,127 | 18,297 | 34,424 |
| Reportable segment liabilities | (13,246) | (17,130) | (30,376) |
| | ===== | ===== | ===== |

Reconciliation to Consolidated Amounts

| | Total for Reportable Segments | Eliminations | Group |
|--------------------------------|--|---------------------|--------------|
| | €000 | €000 | €000 |
| Reportable segment assets | 34,424 | (18,214) | 16,210 |
| Reportable segment liabilities | (30,376) | 17,130 | (13,246) |
| | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

6 Operating segments (continued)

6.1 Information about reportable segments (continued)

Reportable Group segment assets and liabilities for 2015 are reconciled as follows:

| | |
|---|-----------------|
| Assets | €000 |
| Total assets of Grand Harbour Marina p.l.c. | 16,127 |
| Share of post-acquisition losses of joint venture brought forward | (175) |
| Share of profits of joint venture for the year, net of foreign currency translation differences | 258 |
| Consolidated assets | 16,210 |
| | ===== |
| Liabilities | €000 |
| Total liabilities for reportable segments | (13,246) |
| Consolidated liabilities | (13,246) |
| | ===== |

| | Grand Harbour Marina | IC Cesme Marina | Total for Reportable Segments |
|--------------------------------------|-----------------------------|------------------------|--------------------------------------|
| | €000 | €000 | €000 |
| Reportable segment profit before tax | 192 | 753 | 945 |
| | ===== | ===== | ===== |

Reconciliation to Consolidated Amounts

| | Total for Reportable Segments | Eliminations | Group |
|--------------------------------------|--------------------------------------|---------------------|--------------|
| | €000 | €000 | €000 |
| Reportable segment profit before tax | 945 | (482) | 463 |
| | ===== | ===== | ===== |

Reportable Group segment profit before tax for 2015 is reconciled as follows:

| | |
|---|-------------|
| Profit before tax | €000 |
| Total profit before tax for reportable segments | 463 |
| Consolidated profit before tax | 463 |
| | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

7 Revenue

7.1 Revenue for the year is analysed as follows:

| | 2016 | 2015 |
|--------------------------|--------------|-------|
| | €000 | €000 |
| Group and Company | | |
| Other berthing revenues | 3,059 | 2,643 |
| Ancillary services | 1,128 | 1,035 |
| Other income | 44 | 49 |
| | 4,231 | 3,727 |
| | ===== | ===== |

7.2 Seasonality of operations

The Company and its joint venture derive their income from different types of revenue streams, including annual, seasonal and visitor berthing fees. During the summer months, revenue generation is higher, and while it may be relatively smaller in relation to the overall level of revenue, it makes a significant contribution to the profitability of the Group. The timing of long-term super-yacht berth sales, which are neither seasonal by nature nor capable of accurate prediction, can have a more significant impact on the level of both sales and net results.

8 Personnel expenses

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

| | 2016 | 2015 |
|---|-------------|-------|
| | €000 | €000 |
| Group and Company | | |
| Wages and salaries | 370 | 339 |
| Compulsory social security contributions – employer and employees | 55 | 52 |
| | 425 | 391 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

8 Personnel expenses (continued)

8.1 (continued)

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

| | 2016 | 2015 |
|-------------------------------|-------------|------|
| | No. | No. |
| Group and Company | | |
| Operating | 13 | 14 |
| Management and administration | 5 | 4 |
| | 18 | 18 |
| | === | === |

9 Other operating expenses

9.1 Auditors' remuneration

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

| | 2016 | 2015 |
|--------------------------|-------------|-------|
| | €000 | €000 |
| Auditors' remuneration | 38 | 38 |
| Other assurance services | 14 | 13 |
| Tax advisory services | 1 | 1 |
| Other non-audit services | 3 | 3 |
| | 56 | 55 |
| | ===== | ===== |

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 2016 amounted to €20k (2015: €21k), with the Group's share of such audit fees being €9k (2015: €9k).

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

9 Other operating expenses (continued)

9.2 Operating leases

| | | 2016 | 2015 |
|---|-------------|------------|-------|
| | | €000 | €000 |
| Group and Company | | | |
| | Note | | |
| Sub-ground rent on immovable property | 13.2 | 23 | 23 |
| Lease for the assignment of marina rights | 9.2.2 | 330 | 245 |
| Rent for use of premises | 9.2.3 | 51 | 50 |
| Other operating lease expenses | 9.2.4 | 28 | 28 |
| | | 432 | 346 |
| | | ===== | ===== |

9.2.2 By virtue of the other part of the deed of sub-emphyteusis referred to in note 13.2 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 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.

The minimum and maximum future rental payments under the lease agreement of the Company are analysed below:

| | 2016 | 2015 |
|----------------------------|--------------|--------|
| | €000 | €000 |
| Minimum | | |
| Less than one year | 254 | 254 |
| Between one and five years | 1,018 | 1,018 |
| More than five years | 2,495 | 2,750 |
| | 3,767 | 4,022 |
| | ===== | ===== |
| Maximum | | |
| Less than one year | 636 | 636 |
| Between one and five years | 2,545 | 2,545 |
| More than five years | 6,237 | 6,874 |
| | 9,418 | 10,055 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

9 Other operating expenses (continued)

9.2 Operating leases (continued)

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

9.2.4 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.

10 Net finance costs

| | 2016 | 2015 |
|--|--------------|--------------|
| | €000 | €000 |
| Group and Company | | |
| Interest income on investments and cash at bank | 45 | 50 |
| Finance income | <u>45</u> | <u>50</u> |
| Interest expense on financial liabilities measured at amortised cost including premium paid on bond buy-back | (768) | (850) |
| Amortisation of bond issue costs (note 21.2) | (48) | (51) |
| Net foreign exchange losses | (3) | (2) |
| Finance costs | <u>(819)</u> | <u>(903)</u> |
| Net finance costs | <u>(774)</u> | <u>(853)</u> |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

11 Income taxes

11.1 Tax recognised in profit or loss

Current tax is recognised at the rate of 35% on the taxable income for the year from the Company's marina business activity, excluding that arising from the sale of long-term super-yacht berths. During the years ended 31 December 2016 and 2015, the Company did not conclude any such sale. Similarly, deferred tax charges and credits relate only to the marina business activity.

| | 2016 | 2015 |
|--|--------------|-------|
| | €000 | €000 |
| Group and Company | | |
| Deferred tax expense | | |
| Change in recognised unrelieved tax losses and unabsorbed capital allowances | (378) | (262) |
| | (378) | (262) |
| Income tax expense | (378) | (262) |
| | ===== | ===== |

11.2 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:

| | Group | Company | Group | Company |
|--|--------------|----------------|-------|---------|
| | 2016 | 2016 | 2015 | 2015 |
| | €000 | €000 | €000 | €000 |
| Profit before income tax | 753 | 463 | 463 | 192 |
| | ===== | ===== | ===== | ===== |
| Tax expense at the domestic tax rate of 35% | (264) | (162) | (162) | (67) |
| Tax effect of: | | | | |
| • expenses not deductible for tax purposes | (216) | (216) | (195) | (195) |
| • share of profit of equity accounted investee | 102 | - | 95 | - |
| | (378) | (378) | (262) | (262) |
| Income tax expense for the year | (378) | (378) | (262) | (262) |
| | ===== | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

12 Earnings / (loss) per share

12.1 The calculation of the earnings / (loss) per share is based on the profit / (loss) attributable to the ordinary shareholders and the number of shares in issue is reconciled as follows:

| | 2016 | 2016 | 2015 | 2015 |
|--|--------------------|--------------------|-------------|---------------|
| | Group | Company | Group | Company |
| | €000 | €000 | €000 | €000 |
| Profit / (loss) attributable to shareholders | 375 | 85 | 201 | (70) |
| Number of shares in issue during year | 20 million | 20 million | 20 million | 20 million |
| Earnings / (loss) per share | 0.017 cents | 0.004 cents | 0.009 cents | (0.004 cents) |
| | ===== | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

13 Property, plant and equipment

13.1 Group and Company

| | Total | Super-yacht berths | Pontoons | Improvements to car park and office premises | Motor vehicles | Other equipment | Assets in the course of construction (super-yacht berths) |
|------------------------------------|--------------|--------------------|--------------|--|----------------|-----------------|---|
| | €000 | €000 | €000 | €000 | €000 | €000 | €000 |
| Cost | | | | | | | |
| Balance at 1 January 2015 | 9,142 | 4,299 | 3,534 | 690 | 25 | 416 | 178 |
| Additions | 22 | 5 | - | 1 | - | 15 | 1 |
| Disposals | (2) | - | (2) | - | - | - | - |
| Balance at 31 December 2015 | 9,162 | 4,304 | 3,532 | 691 | 25 | 431 | 179 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Balance at 1 January 2016 | 9,162 | 4,304 | 3,532 | 691 | 25 | 431 | 179 |
| Additions | 66 | - | 15 | 1 | 19 | 11 | 20 |
| Disposals | (2) | - | (2) | - | - | - | - |
| Balance at 31 December 2016 | 9,226 | 4,304 | 3,545 | 692 | 44 | 442 | 199 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

13 Property, plant and equipment (continued)

13.1 Group and Company (continued)

| | Total | Super-yacht berths | Pontoons | Improvements to car park and office premises | Motor vehicles | Other equipment | Assets in the course of construction (super-yacht berths) |
|---|--------------|--------------------|--------------|--|----------------|-----------------|---|
| | €000 | €000 | €000 | €000 | €000 | €000 | €000 |
| Depreciation | | | | | | | |
| Balance at 1 January 2015 | 3,173 | 729 | 1,586 | 454 | 25 | 379 | - |
| Depreciation charge for the year | 310 | 86 | 142 | 58 | - | 24 | - |
| Disposal | (1) | - | (1) | - | - | - | - |
| Balance at 31 December 2015 | 3,482 | 815 | 1,727 | 512 | 25 | 403 | - |
| Balance at 1 January 2016 | 3,482 | 815 | 1,727 | 512 | 25 | 403 | - |
| Depreciation charge for the year | 309 | 86 | 141 | 58 | 4 | 20 | - |
| Balance at 31 December 2016 | 3,791 | 901 | 1,868 | 570 | 29 | 423 | - |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

13 Property, plant and equipment (continued)

13.1 Group and Company (continued)

| | Total | Super-yacht berths | Pontoons | Improvements to car park and office premises | Motor vehicles | Other equipment | Assets in the course of construction (super-yacht berths) |
|----------------------------|--------------|-----------------------|--------------|---|-------------------|--------------------|---|
| | €000 | €000 | €000 | €000 | €000 | €000 | €000 |
| Carrying amounts | | | | | | | |
| At 1 January 2015 | 5,969 | 3,570 | 1,948 | 236 | - | 37 | 178 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| At 31 December 2015 | 5,680 | 3,489 | 1,805 | 179 | - | 28 | 179 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| At 31 December 2016 | 5,435 | 3,403 | 1,677 | 122 | 15 | 19 | 199 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

13 Property, plant and equipment (continued)

13.2 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 (note 9.2.1).

This property is hypothecated in favour of the Company's lenders as security for funds borrowed (note 21.4). 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.

14 Investment in subsidiary

14.1 On 29 June 2011, the Company acquired from Camper and Nicholsons Marinas International Limited the 100% shareholding in Maris Marine Limited ("MML") for a consideration of €115. This company is incorporated in the United Kingdom and the principal place of business and registered office of this subsidiary is situated at Latimer House, 5-7 Cumberland Place, Southampton, S015 2BH. The reporting date of this non-trading entity is 31 March.

15 Investment in joint venture

15.1 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 (refer to note 14.1), 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.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

15 Investment in joint venture (continued)

15.2 Cost of equity accounted investee

| | 2016 | 2016 | 2015 | 2015 |
|---|--------------|--------------|--------------|---------|
| | Group | Company | Group | 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 |
| | <u>1,930</u> | <u>1,930</u> | 1,930 | 1,930 |
| Cumulative capital contributions | 244 | 244 | 244 | 244 |
| | <u>2,174</u> | <u>2,174</u> | 2,174 | 2,174 |
| | ===== | ===== | ===== | ===== |
| Share of post-acquisition reserves | 83 | | (175) | |
| Share of profit for the year | 290 | | 271 | |
| Foreign currency translation difference arising on share of profit for the year | (29) | | (13) | |
| | <u>2,518</u> | | <u>2,257</u> | |
| | ===== | | ===== | |
| Equity accounted investee at 31 December | 2,518 | | 2,257 | |

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.

15.3 Summary of financial information of joint venture

The Group's share of profit in its equity accounted investee for the year amounted to €290k (2015: €271k). 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 risks associated with the trends and future outlook of the yachting 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:

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

15 Investment in joint venture (continued)

15.3 Summary of financial information of joint venture (continued)

| | 2016 | 2015 |
|---|--------------|--------------|
| | €000 | €000 |
| Non-current assets | 11,951 | 12,618 |
| Current assets (including cash and cash equivalents amounting to €4,458k (2015: €3,378k)) | 6,537 | 5,679 |
| Non-current liabilities | (12,087) | (14,957) |
| Current liabilities (including trade and other payables amounting to €395k (2015: €140k)) | (4,589) | (2,173) |
| Net assets | 1,812 | 1,167 |
| Group's interest in net assets - 45% interest therein at the beginning of the year | 525 | (254) |
| Group's share of profit and total comprehensive income (45%) | 290 | 271 |
| Group's interest in net assets of investee at end of year | 815 | 525 |
| Carrying amount in the statement of financial position at end of year | 2,518 | 2,257 |
| | ===== | ===== |
| Continuing operations | | |
| Revenue | 5,391 | 5,275 |
| Personnel expenses | (733) | (713) |
| Depreciation | (778) | (867) |
| Other operating expenses | (2,505) | (2,499) |
| Results from operating activities | 1,375 | 1,196 |
| Net finance costs | (347) | (443) |
| Profit before tax and total comprehensive income for the year | 1,028 | 753 |
| Taxation | (383) | (150) |
| Profit and total comprehensive income for the year | 645 | 603 |
| | ===== | ===== |
| Group's share of profit and total comprehensive income (45%) | 290 | 271 |
| Foreign currency translation difference arising on share of profit for the year | (29) | (13) |
| Change in carrying amount of interest in joint venture | 261 | 258 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

15 Investment in joint venture (continued)

15.4 Impairment assessment of investment in joint venture

As explained in note 15.1, the Company acquired its investment in IC Cesme, a joint venture in 2011. IC Cesme owns a marina in Turkey. Between 2012 and 2013, IC Cesme established itself as a fully operational marina. In view of its geo-political status, the directors have evaluated whether the recoverable amount (by reference to its fair value (2015: by reference to its "Value-in-Use") of the investment in IC Cesme exceeds the carrying amount. As the external valuers, CBRE Limited are appointed throughout the CNMIL Group to value the properties held, the directors have considered it opportune, in determining the recoverable amount of the marina held by IC Cesme, to rely on such an external valuation. The fair value of the property has been arrived at by reference to its trading potential and is subject to a 25 year Build-Operate-Transfer contract expiring on 22 April 2034.

The key assumptions used in the calculation of the VIU of the IC Cesme Marina are:

- (a) projected cash flows based on EBITDA for the years 2017 to 2021 have been considered;
- (b) a growth rate in EBITDA for the years 2017 to 2021 is estimated at 3%;
- (c) a pre-tax discount rate of 11% (2015: 12.55%) has been applied to the projected cash flows;
- (d) an exit yield in year five of 15.41% (2015: exit yield of 13.39%) (Years Purchase of 6.49 x; 2015: Years Purchase of 7.47 x) was adopted. This reflects an exit in year 5 of the cash flow at a yield of 11% discounted for the leasehold term unexpired of circa 12 years that will be remaining at that time. The cash flow is then discounted at a rate of 11% to calculate the net present value.

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 €1,166k and €1,510k respectively. Management has identified the discount rate as being the main assumption that could cause the carrying amount to exceed the recoverable amount.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

15 Investment in joint venture (continued)

15.4 Impairment assessment of investment in joint venture (continued)

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

| | Management's Assessment of recoverable amount | Sensitivities on Key Assumption |
|---|--|--|
| Pre-tax discount rate | 11 % | 13.66% |
| Exit yield in year five | 15.40% | 17.40% |
| Excess of recoverable amount over net assets: | | |
| The Group | €1,166k | €Nil |
| The Company | €1,510k | €344k |

16 Loans to Parent company

| | | |
|------|-------------|------|
| 16.1 | 2016 | 2015 |
| | €000 | €000 |

Group and Company

| | | |
|----------------|--------------|-------|
| At 1 January | 3,837 | 3,837 |
| | ===== | ===== |
| At 31 December | 4,237 | 3,837 |
| | ===== | ===== |

Loans to the parent company increased by €400k, being the principal amount of an upstream loan instrument effected by GHM to the parent company in November 2016. This loan carries an interest of 4% per annum and is repayable by the 21 November 2018. The remaining portion of the loan continues to be subject to interest at the rate of 1% per annum.

The Company's joint venture (note 15), IC Cesme has a loan with Isbank in the form of a Term Facility Agreement ("Term Facility", which facility amounts to €7,000k). This loan is repayable in semi-annual instalments which commenced in December 2011, is subject to a nominal interest rate of six month Euribor plus 4.5%, and is repayable in semi-annual repayments of €538k each, in full, by the fall of 2022. The balance payable on this loan as at 31 December 2016 amounts to €6,462 (2015: €7,000).

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

16 Loans to Parent company (continued)

16.2 Related terms and conditions (continued)

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 2016 amounts to €8,495 (2015: €8,495).

The Subordinated Loans are secured by cash pledges by the shareholders of IC Cesme. The Company's parent company ("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.

As at the date of acquisition of the 45% interest in IC Cesme, 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, as at 31 December 2016 and 2015 respectively, the Company had a loan receivable from its parent company amounting to €3,837k (2015: €3,837k), which has in turn been pledged in favour of Isbank for the Subordinated Loans taken out. To date, the directors have successfully negotiated with Isbank and managed to roll forward all the sub-loans that had been drawn-down and which were due for repayment in 2016 and following balance sheet date, for a further period of two years from the date of their respective maturities.

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 existing loan commitments 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.

Between the end of the reporting period and the date of signing of these consolidated financial statements, the Company's joint venture, IC Cesme, repaid a total of €1,970k of the subordinated loan from Isbank. The subordinated loan was backed by pledged cash balances from the joint venture partners and a total of €932k was repaid to the Company, consisting of the capital amount (€886k) and accumulated interest thereon (€46k).

Loans to the parent company increased by €600k, being the principal amount of an upstream loan instrument affected by the Company to the parent company in March 2017. This loan carries interest at a rate of 4% per annum and is repayable by the 14 March 2019.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

17 Assets held in trust

In accordance with the terms of the Trust Deed for the Company's unsecured 7% Bond, the Company is required to establish a sinking fund to support repayment of the Bond by 2020. At balance sheet date, the balance of assets held in trust amounted to €1,926k (2015: €1,118k).

18 Deferred tax assets and liabilities

18.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| Group and Company | Assets | | Liabilities | | Net | |
|---|--------------|--------------|----------------|----------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | €000 | €000 | €000 | €000 | €000 | €000 |
| Plant and equipment | - | - | (1,521) | (1,524) | (1,521) | (1,524) |
| Provision for doubtful debts | 12 | 11 | - | - | 12 | 11 |
| Operating lease charges | 168 | 172 | - | - | 168 | 172 |
| Unrelieved tax losses and unabsorbed capital allowances | 859 | 1,237 | - | - | 859 | 1,237 |
| Net tax assets / (liabilities) | 1,039 | 1,420 | (1,521) | (1,524) | (482) | (104) |
| | ===== | ===== | ===== | ===== | ===== | ===== |

18.2 Movement in temporary differences during the year

| Group and Company | Balance | Recognised in | Balance |
|---|----------------|----------------|------------------|
| | 1 January 2016 | profit or loss | 31 December 2016 |
| | €000 | €000 | €000 |
| Plant and equipment | (1,524) | 3 | (1,521) |
| Provision for doubtful debts | 11 | 1 | 12 |
| Operating lease charges | 172 | (4) | 168 |
| Unrelieved tax losses and unabsorbed capital allowances | 1,237 | (378) | 859 |
| | (104) | (378) | (482) |
| | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

18 Deferred tax assets and liabilities (continued)

18.2 Movement in temporary differences during the year (continued)

| | Balance 1 January 2015 | Recognised in profit or loss | Balance 31 December 2015 |
|--|---------------------------|---------------------------------|-----------------------------|
| | €000 | €000 | €000 |
| Group and Company | | | |
| Plant and equipment | (1,486) | (38) | (1,524) |
| Provision for doubtful debts | 11 | - | 11 |
| Operating lease charges | 190 | (18) | 172 |
| Unrelieved tax losses and unabsorbed capital allowances | 1,443 | (206) | 1,237 |
| | <u>158</u> | <u>(262)</u> | <u>(104)</u> |
| | ===== | ===== | ===== |

19 Trade and other receivables

| 19.1 | | 2016 | 2015 |
|--|------|---------------------|------------|
| | Note | €000 | €000 |
| Group and Company | | | |
| Trade receivables | | 737 | 551 |
| Amounts receivable from related parties: | | | |
| Camper & Nicholson's Marina Investments Limited | 19.2 | 211 | 169 |
| Prepayments and accrued income | | 140 | 169 |
| | | <u>1,088</u> | <u>889</u> |
| | | ===== | ===== |

19.2 The amounts owed by related parties are unsecured, interest free and repayable on demand. This amount includes accrued interest of €207k (2015: 167k) on the loans to the Parent company.

19.3 The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 24.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

20 Equity

20.1 Share capital

| | 2016 | 2015 |
|--|--------------|-------|
| | €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 |
| | ===== | ===== |

20.2 Shareholders' rights

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

20.3 Translation reserve

This translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

20.4 Dividends

The following dividends were declared and paid by the Company for the year ended 31 December:

| | 2016 | 2015 |
|---|-------------|-------|
| | €000 | €000 |
| €0.024 (2015: €Nil) per qualifying ordinary share | 480 | - |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

21 Borrowings

21.1 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 24.

| | 2016 | 2015 |
|--------------------------------------|---------------|--------|
| | €000 | €000 |
| Group and Company | | |
| Non-current | | |
| Unsecured bonds-in-issue (note 21.2) | 10,810 | 10,762 |
| | ===== | ===== |
| Current | | |
| Bank overdraft (note 23.1) | 1 | 2 |
| | ===== | ===== |

The bank overdraft bears interest at the rate of 4.85% per annum and is repayable on demand.

21.2 Unsecured bonds-in-issue

During the year ending 31 December 2010, the Company issued €10,000k bonds, with an over-allotment option of €2,000k, bearing an interest rate of 7%, redeemable in 2020, and subject to an early redemption option that may be exercised by the Company between 2017 and 2020. The fair value of the bonds in issue at 31 December 2016 amounted to €11,190k (2015: €11,792k) based on the trading price existing at balance sheet date of €102.01 (2015: €107.50). No further bonds have been bought back from the beginning of 2016 up to the date of approval of the financial statements.

| | 2016 | 2015 |
|---|----------------|---------|
| | €000 | €000 |
| Group and Company | | |
| Proceeds on issue | 12,000 | 12,000 |
| Transaction costs (net of amount expensed during the year, note 10) | (159) | (207) |
| Cumulative nominal value of 7% Bonds 2017-2020 bought back | (1,031) | (1,031) |
| | ----- | ----- |
| | 10,810 | 10,762 |
| | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

21 Borrowings (continued)

21.3 Banking facilities

The Company enjoys 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 (2015: €35k).

21.4 Security

21.4.1 The Company's bank 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 on land held by the Company under title of temporary sub-emphyteusis (note 9.2.2).

22 Trade and other payables

| 22.1 | | 2016 | 2015 |
|---|------|--------------|--------------|
| | Note | €000 | €000 |
| Group and Company | | | |
| Trade payables | | 57 | 26 |
| Amounts payable to related parties: | | | |
| Camper & Nicholsons Marinas Limited | 22.2 | 26 | 48 |
| Camper & Nicholsons Marinas International Limited | 22.2 | 4 | 30 |
| Other payables | | 190 | 175 |
| Deferred income | | 947 | 869 |
| Accrued expenses | | 1,435 | 1,230 |
| | | <u>2,659</u> | <u>2,378</u> |
| | | ===== | ===== |

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

22.3 The Group's exposures to currency and liquidity risks related to trade and other payables are disclosed in note 24.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

23 Cash and cash equivalents

| 23.1 | Note | 2016 | 2015 |
|---|------|-------|-------|
| | | €000 | €000 |
| Group and Company | | | |
| Cash in hand | | 3 | 3 |
| Bank term deposit | 23.2 | - | 1,300 |
| Other bank balances | | 1,084 | 635 |
| | | <hr/> | <hr/> |
| Cash at bank and in hand | | 1,087 | 1,938 |
| Bank overdraft used for cash management purposes | 21.1 | (1) | (2) |
| | | <hr/> | <hr/> |
| Cash and cash equivalents in the Statements of Cash Flows | | 1,086 | 1,936 |
| | | ===== | ===== |

23.2 The Company did not hold any term deposits at balance sheet date (2015: €300k on a three-month term and €1,000k on a six-month term deposit).

24 Financial instruments

24.1 Overview

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

- credit risk
- liquidity risk
- market risk

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

24.2 Risk management framework

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

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

24 Financial instruments (continued)

24.2 Risk management framework (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the 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.

24.3 Credit risk

Credit risk is the risk of financial loss to the Group if a berth-holder or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from berth-holders and amounts on-lent to the Company's parent which has been pledged as collateral for funds borrowed by the joint venture (note 16.2).

24.3.1 Loans and receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each berth-holder, by way of concessions. Credit risk with respect to receivables from short-term berth-holders is limited due to the spread of the number of berth-holders comprising the Group's debtor base. Amounts receivable with respect to the licensing of long-term berths are usually secured upon the signing of the relative agreement with the berth-holder. An instalment sale could be agreed with long-term berth holders on a case-by-case basis, in which case the Group will mitigate its credit risk by retaining the special privilege competent to it in terms of law on the right of use of the berth granted by Grand Harbour Marina plc to the Grantee.

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

The Company does not require collateral in respect of any receivables. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

24.3.2 Cash at bank and assets held in trust

Credit risk on assets held in trust is limited as such comprise deposits with a local financial institution with investment grade rating (Fitch) BBB. Credit risk on cash at bank is also limited as funds are likewise held with local financial institutions with investment grade ratings (Fitch) AA- and BBB.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

24 Financial instruments (continued)

24.3 Credit risk (continued)

24.3.3 Exposure to credit risk

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

| Group and Company | Note | Carrying amount | |
|---|------|-----------------|-------|
| | | 2016 | 2015 |
| | | €000 | €000 |
| Parent company loan | 16.1 | 4,237 | 3,837 |
| Trade receivables | 19.1 | 737 | 551 |
| Amounts receivable from related parties | 19.1 | 211 | 169 |
| Assets held in trust | 17.1 | 1,926 | 1,118 |
| Cash at bank | 23.1 | 1,084 | 1,938 |
| | | 8,195 | 7,613 |
| | | ===== | ===== |

The maximum exposure to credit risk for trade receivables which arise all in Malta at the reporting date by type of customer was:

| Group and Company | Note | Carrying amount | |
|-------------------|--------|-----------------|-------|
| | | 2016 | 2015 |
| | | €000 | €000 |
| Individuals | | 133 | 107 |
| Legal entities | | 235 | 274 |
| Agents | | 404 | 200 |
| | | 772 | 581 |
| Impairment losses | 24.3.4 | (35) | (30) |
| | | 737 | 551 |
| | | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

24 Financial instruments (continued)

24.3 Credit risk (continued)

24.3.4 Impairment losses

The ageing of trade receivables at the reporting date, before impairment losses, was:

| Group and Company | 2016 | 2015 |
|---------------------------|-------------|-------|
| | €000 | €000 |
| Not past due not impaired | 470 | 243 |
| 1 to 2 months | 101 | 165 |
| 2 to 4 months | 90 | 86 |
| Over 4 months | 111 | 87 |
| | 772 | 581 |
| | ===== | ===== |
| Impairment losses | | |
| Past due and impaired | 35 | 30 |
| | ===== | ===== |

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

| Group and Company | 2016 | 2015 |
|--|-------------|-------|
| | €000 | €000 |
| Balance at 1 January | 30 | 31 |
| Increase / (reversal) of impairment loss | 5 | (1) |
| | 35 | 30 |
| | ===== | ===== |

24.3.5 Guarantees and letter of financial support

As explained in note 16.2, the Company has pledged the amount due by the Company's parent as security for funds borrowed.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

24 Financial instruments (continued)

24.4 Liquidity risk

Liquidity risk is the risk that the Group encounters 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 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 (note 21.3), of which €1k was utilised at 31 December 2016 (note 23.1).

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

24 Financial instruments (continued)

24.4 Liquidity risk (continued)

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

| Group and Company | Note | Carrying amount €000 | Contractual cash flows €000 | 6 months or less €000 | 6 - 12 months €000 | 1 - 2 years €000 | 3 - 5 years €000 |
|---|------|-------------------------|--------------------------------|--------------------------|-----------------------|---------------------|---------------------|
| 31 December 2016 | | | | | | | |
| Unsecured bonds-in-issue | 21.1 | 10,810 | (13,273) | (384) | (384) | (768) | (11,737) |
| Bank overdraft | 21.1 | 1 | (1) | (1) | - | - | - |
| Trade and other payables (excluding deferred income) | 22 | 1,712 | (1,712) | - | (1,712) | - | - |
| | | <u>12,523</u> | <u>(14,986)</u> | <u>(385)</u> | <u>(2,096)</u> | <u>(768)</u> | <u>(11,737)</u> |
| | | ===== | ===== | ===== | ===== | ===== | ===== |
| 31 December 2015 | | | | | | | |
| Unsecured bonds-in-issue | 21.1 | 10,762 | (14,041) | (384) | (384) | (768) | (12,505) |
| Bank overdraft | 21.1 | 2 | (2) | (2) | - | - | - |
| Trade and other payables (excluding deferred income) | 22 | 1,509 | (1,509) | - | (1,509) | - | - |
| | | <u>12,273</u> | <u>(15,552)</u> | <u>(386)</u> | <u>(1,893)</u> | <u>(768)</u> | <u>(12,505)</u> |
| | | ===== | ===== | ===== | ===== | ===== | ===== |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

24 Financial instruments (continued)

24.5 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.

24.5.2 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 is 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.

24.5.3 Interest rate risk

The Group adopts a policy of ensuring that its exposure to changes in interest rates on interest-bearing borrowings is limited by entering into financial arrangements subject to fixed interest rates and other arrangements with a fixed interest margin over the bank's base rate. During the year ended 31 December 2010 the Company issued bonds at a fixed rate of 7%. These are, therefore, not subject to interest rate fluctuations.

24.6 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 Limited.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

24 Financial instruments (continued)

24.7 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. Equity consists of share capital, other reserves and retained earnings. The Board of Directors monitors the return on capital, which the Company defines as the profit for the year divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year. Neither the Group nor its joint-venture are subject to externally imposed capital requirements.

24.8 Fair values

At 31 December 2016 and 2015, 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, whereas Level 3 inputs have been used to arrive at the fair value of the marine held by IC Cesme.

25 Capital 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.

26 Related parties

26.1 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 Island House, Grande Rue St Martins, Guernsey. CNMIL prepares the consolidated financial statements of the Group of which Grand Harbour Marina p.l.c. forms part. CNMIL is listed on AIM and its financial statements are publicly available.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

26 Related parties (continued)

26.2 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:

| | 2016 | 2015 |
|---|--------------|------|
| Group and Company | €000 | €000 |
| Camper & Nicholsons Marinas Limited | | |
| Balance payable at 1 January | (48) | (72) |
| As per Marina Services Agreement: | | |
| Recruitment, operational services and Auditing (2.5% of revenue subject to a minimum fee of GBP18k per annum) | (105) | (92) |
| Sales and marketing fees (fixed fee of GBP3.2k per month) | (47) | (53) |
| Management, finance and other related services and expenses | (93) | (92) |
| Cash movements | 267 | 261 |
| Balance payable at 31 December | (26) | (48) |

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

26 Related parties (continued)

26.2 Related party relationships, transactions and balances (continued)

| | 2016 | 2015 |
|--|------------|-------------|
| | €000 | €000 |
| Camper & Nicholsons Marinas International Limited | | |
| Balance (payable)/receivable at 1 January | (30) | (20) |
| Royalty fees (1.5% of revenue excluding direct costs of utilities) as per Trade Mark License Agreement | (55) | (52) |
| Management, finance and other related services | - | (3) |
| Cash movements | 81 | 45 |
| Balance payable at 31 December | (4) | (30) |
| Camper & Nicholsons Marina Investments Limited | | |
| Balance receivable at 1 January | 169 | 135 |
| Recharge or expenses | 7 | 5 |
| Interest receivable | 40 | 38 |
| Cash movements | 395 | (9) |
| Balance receivable at 31 December* | 611 | 169 |
| Total net amount receivable at 31 December | 581 | 43 |
| | ===== | ===== |

* This amount excludes the cash-pledge of €3,837k (2015: €3,837k) in note 16, and includes the €400k upstream loan instrument from the company to the parent company.

Grand Harbour Marina p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2016

27 Litigation and claims

The Company's joint venture, IC Cesme, is disputing the following two 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 2016 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 believes that this claim is contrary to the signed agreements and in this regard has initiated a legal case. As at 31 December 2016, the potential claim would amount to €772k (2015: €727k) with the Group's 45% share being €347k (2015: €327k) if IC Cesme had to make payment in full.
- ii) IC Cesme, is also 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 €177k tax, including a €106k penalty. 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 €177k (2015: €207k) with the Group's 45% share being €80k (2015: €93k).



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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 2016, 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 the Group as at 31 December 2016, 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 Companies Act, 1995 (Chapter 386, Laws of Malta) (the "Act") (and, as regards the financial statements of the Group, 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. 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) ("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 of 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. 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.

Revenue

[See accounting policy note 3.7 to the financial statements and note 7 for further disclosures]

| The Key Audit Matter | How the Matter was Addressed in our Audit |
|--|---|
| <p>The Group's revenues are derived from a number of different channels, such as income from short-term berthing of vessels and income from berth utilities and services. Transactions posted during a financial year are numerous, usually cover periods in different financial years, and the processing of which also involves manual intervention. Without having regard to any controls in place, given the elements described above, there is always the risk that revenue is susceptible to manipulation.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none">• Evaluating the design, implementation and operating effectiveness of internal controls over the revenue cycle.• Considering the adequacy of the revenue recognition accounting policy and its appropriateness to the Group's business and the sector it operates in, together with related disclosures.• Agreeing a statistical sample of revenue transactions to invoices issued to berth-holders to assess whether amounts recorded for revenue exist and have been accurately recorded. |



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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Key Audit Matters (continued)

Revenue (continued)

[See accounting policy note 3.7 to the financial statements and note 7 for further disclosures]

| The Key Audit Matter | How the Matter was Addressed in our Audit |
|----------------------|--|
| | <ul style="list-style-type: none">• Assessing whether invoices and any related credit notes issued have been recognised in the correct accounting period for a selected sample of transactions around the reporting date.• Performing a trend analysis with particular focus on seasonality and comparability to prior year's results.• Performing a predictive revenue analysis on the basis of total berthing space, actual occupancy and average price for type of berth space. |



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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Key Audit Matters (continued)

Investment in Joint Venture

[See accounting policy note 3.1.5 to the financial statements and note 15 for further disclosures]

| The Key Audit Matter | How the Matter was Addressed in our Audit |
|--|--|
| <p>The Company holds an investment in a joint venture which in turn owns and operates a marina in Turkey. The recoverability of such investment depends on the ability of the investee to generate sufficient cash-flows to support the carrying amount of this investment in the separate and consolidated financial statements. In view of Turkey's current geo-political status, such investment is evaluated for impairment. This evaluation involves a number of assumptions and therefore subject to estimation uncertainty.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none">• Assessing the competence, capabilities and objectivity of the independent valuer by reviewing the terms of engagement and enquiring about the valuer's credentials.• Assessing the reasonableness of the assumptions provided to the independent valuer, through the use of our own valuation specialists. This involves assessing the financial data used, including budgets and other financial information in determining the recoverable amount.• Performing independent sensitivity analysis, making adjustments to the key input in the model used by the independent valuer to identify any risk of impairment.• Assessing whether the Group's disclosures in relation to the impairment assessment comply with the applicable reporting standards. |



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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. The other information comprises (i) the Chairman's Statement, (ii) the Directors' Report, (iii) the Statement by the Directors on the Financial Statement and Other Information included in the Annual Report, (iv) the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance, and (v) 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 and the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance, 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 on the other information that we have obtained prior to the date of this auditors' report, 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 Those Charged with Governance 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, as regards the financial statements of the Group, article 4 of the Regulation on the application of IFRS as adopted by the EU), and for such internal control as the directors 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 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 Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's 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.
- 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 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 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.



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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)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 directors 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 those charged with governance, 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.

2 Report on Other Legal and Regulatory Requirements

Auditors' Opinion on the Directors' Report

The directors of the Company 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 Group is a going concern with supporting assumptions or qualifications as necessary, as required by Listing Rule 5.62 issued by the Listing Authority of Malta.



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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Auditors' Opinion on the Directors' Report (continued)

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.

In accordance with article 179(3) of the Act, we are also required to:

- (a) express an opinion on whether the directors' report has been prepared in accordance with the applicable legal requirements;
- (b) state whether, in the light of the knowledge and understanding of the Group 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; and
- (c) 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.

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

We have nothing to report in respect of the following matters where articles 179(10) and (11) of the Act requires us to report to you if, in our opinion:

- (a) proper accounting records have not been kept by the Company; or
- (b) the Company's financial statements are not in agreement with the accounting records; or
- (c) 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.



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Independent Auditors' Report (continued)

To the Shareholders of Grand Harbour Marina plc

Report required by Listing Rule 5.98 issued by the Listing Authority in Malta on the Directors' Statement of Compliance with the Code of Principles of Good Corporate Governance (the "Principles") outlined in Appendix 5.1 to Chapter 5 (Continuing Obligations) of the Listing Rules (the "Appendix")

Listing Rule 5.97 requires an Issuer whose securities are admitted to trading on a Regulated Market operating in Malta to prepare a corporate governance statement. In addition, as an Issuer registered in Malta, Listing Rule 5.94 requires that the Company endeavours to adopt the Principles and to prepare a report explaining how it has complied with the provisions of the Appendix.

Our responsibility is laid down by Listing Rule 5.98, which requires us to issue a report on the Directors' Statement of Compliance with the Principles included in the Group's Annual Report.

We review the Directors' Statement of Compliance, and report as to whether this Statement provides the disclosures required by Listing Rule 5.97. We are not required to, and we do not, consider whether the Board's 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 Group's corporate governance procedures or its risks and control procedures, nor on the ability of the Group to continue in operational existence.

In our opinion, the Directors' Statement of Compliance provides the disclosures required by Listing Rules 5.94 and 5.97 issued by the Listing Authority of Malta.

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


KPMG
Registered Auditors

29 March 2017