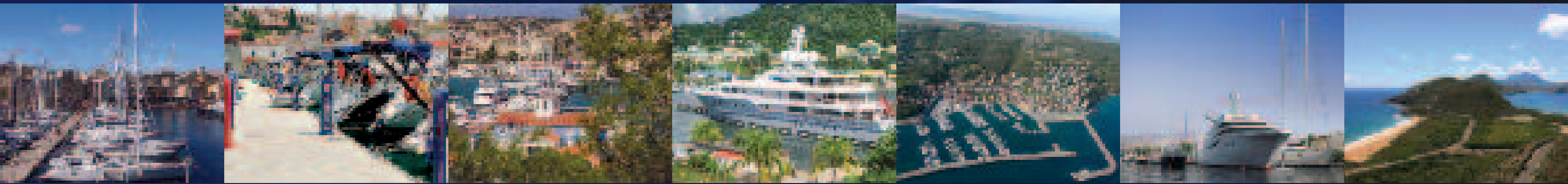
Camper & Nicholsons
YACHTING SINCE 1782
MARINAS

Camper & Nicholsons Marina Investments Limited



# Annual Report 2010

Top: Cesme Marina's swimming pool and boutique hotel.
Below left: The Capitainerie building in Cesme Marina.
Below right: Inside the Capitainerie at Port Louis Marina.
Below: Evening light at Cesme Marina.

Turnover

€5.5million

Net assets

€38.9million

Investment in marina, property, plant and equipment during 2010

€6.2million

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# World leader in marinas

Camper & Nicholsons has been associated with premium marina and waterfront developments for over 40 years, and is the most recognised international brand in the sector.

For yachts and yachtsmen the name means high quality services and a warm welcome whenever they visit a Camper & Nicholsons marina.

For our business partners our wide experience, which includes having worked in more than 25 countries, and our strong sales and marketing reach, help them achieve their investment objectives in marina and waterfront developments.

## Highlights

### Operational highlights

- All three marinas now complete and fully operational
- Grand Harbour Marina successful bond issue in February 2010 raised €12m to develop and invest in further Mediterranean marina businesses
- Significantly improved revenues of €5.5m (2009: €2.8m)
- Loss before tax of €5.9m (10.4 Euro cents per share), 2009 a €5.7m loss (8.7 Euro cents per share)
- Group cash balances of €10.8m at 31 December 2010 (2009: €10.3m)

### Asset sale

- Sale of 45% beneficial interest in IC Cesme Marina to majority owned subsidiary, Grand Harbour Marina, agreed with transaction completion expected in March 2011

### Strategic Review

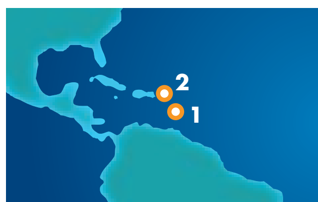
- CB Richard Ellis appointed to carry out a Strategic Review of the business which is now fully underway

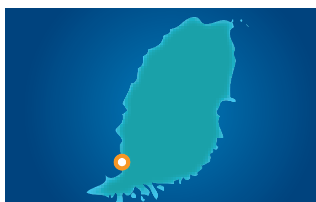
| Group | **2010 €m** | 2009 €m |
|---|---|---|
| Turnover | **5.5** | 2.8 |
| Gross profit | **4.3** | 2.2 |
| Operating loss | **(4.6)** | (5.1) |
| Pre tax loss | **(5.9)** | (5.7) |
| Earnings per share basic (cents) | **(10.4)** | (8.7) |
| Earnings per share diluted (cents) | **(10.4)** | (8.6) |
| Cash and cash equivalents | **10.8** | 10.3 |
| Net assets (IFRS) | **38.2** | 40.9 |
| Adjusted net assets | **30.1** | 29.7 |

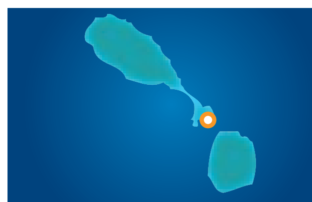
# Our marinas and locations

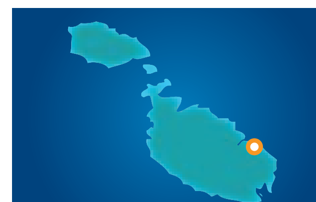
At Camper & Nicholsons we run a growing family of marinas in key yachting locations around the world. We have prestigious sites in the Mediterranean – in Turkey, Malta, Italy and Cyprus – and in the Caribbean.

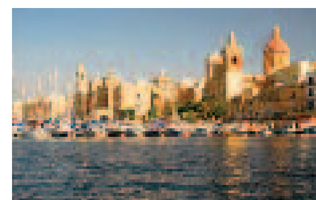
Camper & Nicholsons Marinas are situated at some of the most beautiful cruising locations around the world, where the levels of yacht care, facilities and customer service are the highest available in the world of yachting.









## Marina locations worldwide

1 Port Louis Marina, Grenada
2 Cockleshell Bay, St Kitts
3 Grand Harbour Marina, Malta
4 Porto San Rocco, Italy
5 Cesme Marina, Turkey
6 Marina Istanbul, Turkey
7 Limassol Marina, Cyprus

## Port Louis Marina Grenada

Premium Caribbean Marina, outside the hurricane belt. Situated in a natural lagoon on the lee side of the 'Spice Island' of Grenada in the eastern Caribbean, Port Louis Marina offers luxury slips in the Grenadines. Located opposite the island's capital, St Georges, Port Louis Marina offers the ideal base for yachts exploring the eastern Caribbean.

29,700 sq m lettable berth area

170 berths

100% owned

Operational

## Cockleshell Bay St Kitts

Facing the Caribbean Sea just as it breaks from the Atlantic Ocean, Cockleshell Bay offers stunning views of neighbouring Nevis, and is an ideal location for those sailing throughout the Caribbean islands. The finest luxury facilities in this deep water marina are unrivalled throughout the Caribbean. Five star fully serviced berths will be available for 160 yachts up to 60m.

c35,000 sq m lettable berth area

160 berths

Management

Completing financing

## Grand Harbour Marina Malta

One of the premier superyacht marinas in the Mediterranean, CNMIL's ownership is through Grand Harbour Marina plc which is quoted on the Malta Stock Exchange. Grand Harbour Marina is a much sought after home port, charter yacht base and winter stopover. This luxury Mediterranean marina is also an established cruising destination for visiting yachts throughout the Mediterranean season.

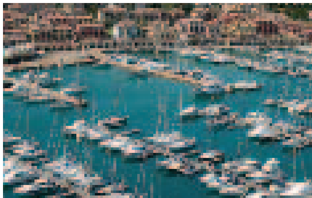
45,700 sq m lettable berth area

246 berths

79.2% owned

Operational

Camper & Nicholsons has specialised in marina and waterfront development for over 40 years, and remains at the forefront of the burgeoning leisure craft berthing and support market. From speedboat to superyacht, our marinas are the destinations of choice for the discerning owner and skipper.



## Porto San Rocco
Italy

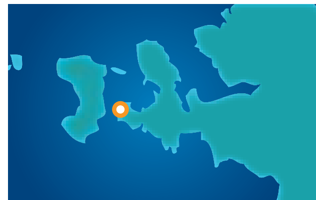
Porto San Rocco, situated in Muggia, close to Trieste, on the north coast of Italy. Home to a world-class marina for yachts, with berths up to 60m it is perfectly situated for cruising the Adriatic and visiting the neighbouring coast of Croatia.

c35,000 sq m
lettable berth area

564 berths

Branding sales & marketing

Operational



## Cesme Marina
Turkey

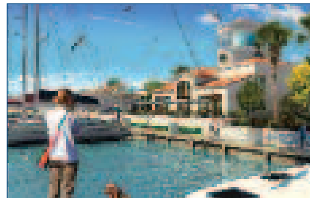
Cesme Marina is strategically located in a still undiscovered and chic part of Turkey's stunning coastline at the western end of the Izmir Peninsula. It is ideal for cruising the Aegean and Mediterranean or just short trips to the local Greek Islands. It is owned through a JV with the respected Turkish holding company, IC Holding and has a significant retail area (6,300 square metres) adjacent to the marina.

31,700 sq m
lettable berth area

373 berths

45% owned

Operational



## Marina Istanbul
Turkey

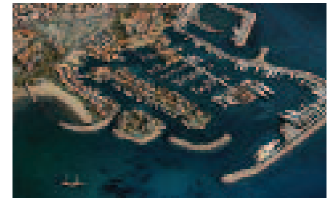
Marina Istanbul is located at Buyukcekmece Bay just 20 minutes from Ataturk International Airport. Scheduled to start construction in 2011 it will provide in-water berthing, a dry-stack facility and a technical services area. The shore side facilities will include shops, restaurants, leisure facilities and a family oriented atmosphere with all the amenities of a yacht club.

52,000 sq m
lettable berth area

490 berths

Management

Financing & permitting complete



## Limassol Marina
Cyprus

Limassol Marina, Cyprus is destined to become one of the most exclusive waterfront developments in the Mediterranean. It will combine a state-of-the-art marina with exclusive apartments and villas, some with attached berths. The shoreside restaurants and shops are just a stroll from Limassol's centre, and blend the contemporary with the historic.

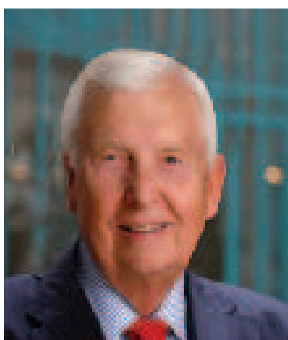
49,000 sq m
lettable berth area

500+ berths

Management

Opens 2012

# Chairman's statement



At the end of 2010, with our three marinas operational, we had completed the development phase of the business and eliminated the construction and development risk. With increasing revenues from both the marinas and the third party management and consultancy business we expect to see improved Group performance going forward.

With the opening of the Cesme Marina in June 2010 we have completed the development phase of our owned marinas and now have three high quality marinas from which we expect to see increasing revenues in the coming years. Enquiry levels remained high in the marina services and consultancy part of our business from which we expect continued growth.

These results have been negatively impacted by the following short term issues: slower than expected berth sales, the delayed opening of our Cesme Marina and the time taken to conclude an attractive investment for the GHM Bond proceeds.

For the year ended 31st December 2010 revenues increased significantly with the sale of 4 long term berth licences at Port Louis generating sales of €1.2m (2009: Nil) and the first period of operations at Cesme. The Group made a loss before tax of €5.9m (2009: loss of €5.7m) on sales of €5.5m (2009: €2.8m).

We have reached agreement with our 79% subsidiary, Grand Harbour Marina plc (GHM) for them to acquire our 45% beneficial interest in Cesme Marina in Turkey which we expect to accelerate the growth of GHM and contribute to increased shareholder value for all the shareholders.

The consideration amount is €4.4m which includes €2.5m in respect of the cash pledge which the Company has with Isbank London. This amount is approximately equal to the investment made to date in this project with an expected completion date of the transaction in March 2011.

To report on our 3 marinas:

**GHM**

- Revenues of €2.3m (2009: €2.1m) and EBITDA of €0.2m (2009: €0.14m), increases of 14% and 45% respectively.
- Achieved 8% EBITDA margin in year from operations without any contribution from berth sales.
- Paid total dividend of €750k in July.
- Bond issue in Q1 2010 raised €12m to develop business. GHM's proposed acquisition of CNMIL's 45% beneficial interest in Cesme for €4.4m presents a growth opportunity for GHM which will have a continuing cash balance of c. €3m.

**Cesme**

- Construction completed and a successful marina opening in late June 2010, delayed 3 months with negative impact on results.
- First six months revenues of €1.5m (2009: Nil).
- By the end of 2010, 169 of the marina's 373 berths were let on annual berthing contracts meaning performance was ahead of plan.
- Retail village units 100% let, proving an attractive visitor destination.
- New General Manager and Finance Controller were appointed which significantly strengthens the team.

**Port Louis**

- Generated €1.2m revenues from sale of 4 long term berth licences. Operations negatively impacted by weak Caribbean cruising market.

Facing page: Limassol Marina (CGI rendering).
Above left: Port Louis busy pontoons.
Above right: Superyachts in Grand Harbour Marina.

- Achieved breakeven EBITDA (2009: €0.9m loss)
- The Moorings, TUI Marine's luxury charter operator, based its southern Caribbean operation in Port Louis Marina from October 2010.

**Third Party Marina Service Agreements**

- The world class Camper & Nicholsons brand name continues to attract enquiries for our management and consultancy services. We now have four multi year contracts in place operating successfully. We are in active negotiations on a number of contracts which we believe could be signed in 2011. Consultancy work, which often leads to multi year contracts has been completed for several marina projects but of particular interest have been three marinas in China and one in Abu Dhabi.

## Outlook

At the end of 2010, with our three marinas operational, we had completed the development phase of the business and eliminated the construction and development risk. With increasing revenues from both the marinas and the third party management and consultancy business we expect to see improved Group performance going forward.

The proposed sale of CNMIL's 45% beneficial interest in IC Cesme Marina to our majority owned subsidiary, Grand Harbour Marina, will allow GHM to secure a sound investment for the bond funds raised in February 2010, to pursue its strategy of investing in marinas in the Mediterranean and also provides the Group with the necessary financial resources to see us into 2012 and support the further growth of our important third party management business.

Your Board has continued to consider the resources required to develop the business and to meet the needs of our shareholders. The Board is also aware of the significant discount to reported net asset value at which the Company's shares continue to trade on AIM and are determined to address the situation.

Having been retained by the Board to analyse the business, CBRE confirmed the Board's belief that the Company has developed a number of valuable assets which include three strategically located marinas, a growing third party management business, a strong management team with valuable proprietary Intellectual Property ("IP"), a pipeline of investment and management opportunities and the leading brand in the international marina sector. Given the consolidation opportunity afforded by the fragmented marina industry, CBRE recommended that additional investment be secured to realise these opportunities and so deliver value for existing shareholders and stakeholders.

The Board has adopted this recommendation and is accordingly conducting a Strategic Review.

**Sir Christopher Lewinton**
Chairman
15 March 2011

# Business review

The marinas themselves, the third party management business, the management and related IP, the brand and the pipeline of further management and investment opportunities are all important components of the value of your Company.

Nick Maris
Chairman and CEO of Camper & Nicholsons Marinas International Limited.

## Review and outlook

**2010 – Development phase completed**

2010 was an important year for your Company. In our IPO in 2007 we said to our investors we would acquire and develop an international portfolio of new and existing marinas and related real estate. At the end of 2008 we transformed the Company from an externally managed fund to an operating company with its own experienced management. At the same time we secured exclusive use of the Camper & Nicholsons brand in the marina sector and we set out to grow the Company through long term management contracts with third party clients.

**Three high quality marinas – valued at over €60 million**

Today we are invested in three high quality marinas, in Cesme in Turkey completed in July of 2010, in Port Louis in Grenada completed in December of 2009, and in Grand Harbour Marina in Malta which was complete on acquisition in 2007. These are highly valuable assets. Based on the valuations completed by CBRE at 31 December of 2010, the aggregate value of the marinas is €61.9 million.

**A growing third party management business**

Our third party management business has grown as our clients have realised the benefits that flow from working together with Camper & Nicholsons, as evidenced by recent consultancy contracts in the Arab Gulf and China.

**Internationally respected management – valuable IP – the best Brand - an industry consolidator**

Our internationally respected management group has developed a suite of proprietary tools and industry and customer databases, which coupled with the exclusive use

of the C&N brand makes your Company an engine for future growth and realistically the consolidator in the fragmented international marina market.

**A pipeline of management opportunities**

We have generated a pipeline of management and investment opportunities and are working on a number of consultancy contracts in China and developing important relationships in this outstanding growth market for marinas, with the objective of adding to our long term management business.

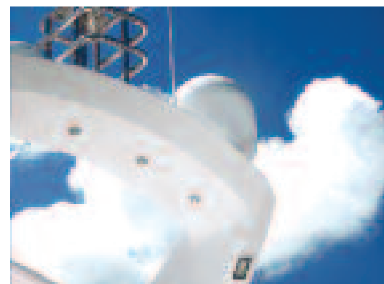
**Multiple components of value in the Company**

The marinas themselves, the third party management business, the management and related IP, the brand and the pipeline of further management and investment opportunities are all important components of the value of your Company. Of these value components only the marinas are materially reflected in the statement of financial position.

**Strategic review – realising value for our shareholders – a strengthened offering for our clients**

We are conscious of the fact that the underlying value of the Company is not being fairly reflected in the share price.

However your Company is now positioned to move forward. As our Chairman has announced, the Company is conducting a Strategic Review of the business. CBRE have completed their analysis of the business and is now supporting and advising in the Strategic Review. Much work has been done in recent months so that approaches can be made now to potential investors with a view to realising value for our Shareholders.



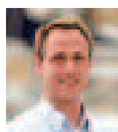
Facing page and above right: Cesme Marina.
Below: Port Louis Marina.

For our present and future clients and business partners it will mean even stronger added value through working with C&N. The whole C&N team, Board and management, is dedicated to making this process a success.

I will now deal with developments of the individual marinas and our third party business for the 2010 year, and the steps we have taken in relation to the Strategic Review.

# Grand Harbour Marina

General Manager, Ben Stuart



**€12 million Bond Issue – Acquisition of 45% share of Cesme Marina**
In February of 2010 GHM successfully raised €12 million of 10 year 7% bonds. The issue was managed by HSBC with whom GHM has had a long term relationship having also underwritten GHM's IPO. Lead brokers were Rizzo Farrugia and advisors were Finco, both highly respected firms in Malta.

The purpose of the bond was twofold; one was to permit GHM to substitute its shorter term floating rate financing with longer term fixed rate financing and in keeping with this €3.8 million of bank debt was prepaid. The other purpose was to give GHM the opportunity to grow through acquisition within and outside of Malta, and in particular to benefit from the investment opportunities arising from GHM's relationship with CNMIL.

A number of investment opportunities have been evaluated and bid for, including the tender for the concession of the Rhodes Mandraki Marina in Greece where GHM remains one of three shortlisted candidates. Of those evaluated the most attractive was the acquisition of CNMIL's 45% beneficial interest in the Cesme Marina in Turkey.

Based on a valuation by CBRE of the Cesme Marina of €18 million (based on a 100% interest) the consideration agreed with CNMIL is €4.4 million plus costs, comprising €1.9 million for the beneficial interest in the equity and the balance through the assumption of shareholders subordinated loans. This transaction is scheduled to conclude in March of 2011. It leaves GHM with cash balances for further investment and general corporate purposes of €3 million. An appropriate process has been followed for a related party transaction. Trevor Ash, being the only director of the Company not also on the Board of GHM and therefore not a related party (as defined in the AIM Rules for Companies), considers, having consulted with the Company's nominated adviser, Collins Stewart Europe Limited, that the terms of the Transaction are fair and reasonable insofar as the Company's shareholders are concerned.

**Trading**
GHM generated revenues of €2.3 million (2009: €2.1 million). After deducting direct cost of sales and normal operating costs, which again remained stable at €1.6 million, but before depreciation, GHM made an operating profit of €0.3 million (2009: €0.1 million). After one off costs relating to the Rhodes Mandraki bid (€0.1 million), finance charges including a net interest cost of €0.6 million relating to the Bond and depreciation of €0.35 million, GHM made a loss of €0.8 million (2009: €0.4 million loss).

CB Richard Ellis valued GHM (based on a 100% interest) at €22.2 million as at 31 December 2010 (2009: €20.5 million). After adjusting for minority interests, the NAV uplift in the year is €1.5 million with a cumulative uplift of €1.9 million. This valuation compares with the market capitalisation of GHM on the Malta Stock Exchange of €19.8 million.

Pontoon berths remain fully occupied with a waiting list. It is worth noting that in the 5 year period from 2006 to 2010 berth rental income has risen from €0.6 million to €1.8 million.

The 16,600 square metres of pontoon berths generated an average revenue over the year of €65 per square metre. Sold superyacht berths totalling 15,200 square metres, generated €20 per square metre in berth service charges. Whilst superyacht berths held in stock of 13,800 square metres (excluding pontoon H) generated revenues of €0.3 million with a utilisation of about 33%. Utility revenues totalled nearly €0.6 million or 24% of total rental revenues of €2.3 million. Utility net margins averaged approximately 9% of berth rental revenues. Net berth sales revenues arising from sales of the approximately €30 million of berths held for sale would be directly incremental to EBITDA.

There were no berth sales in the year, a disappointment. Berth sales terms were made more attractive, through offering terms beyond the standard 25 years, and also offering a moderate price incentive. This led to two transactions on which commercial terms were agreed, with a total value of €3.8 million, both progressing to detailed contract negotiation one with a deposit, but unusually despite the advanced stage reached, neither concluded, the economic climate having its effect.

Malta offers a wide range of compelling advantages as a home port for superyachts. As a result throughout the economic crisis we have had and continue to have both enquiries and negotiations. We remain of the view that berth sales are a matter of timing, albeit we will likely have to reflect market conditions.

**Other matters**

GHM continues to work on revenue increasing possibilities which include expansion through concessions on neighbouring water areas, and also reconfiguration within the marina to increase lettable berth area.

Facing page: The Rolex Middle Sea Race fleet assembled in Grand Harbour Marina.
Above: Start of the Rolex Middle Sea Race 2010.
Above left: Aerial view of Grand Harbour Marina.
Above right: Race crew preparations.

# Cesme Marina

General Manager, Kemal Saatcioglu (joined Feb 2011)

The marina, a joint venture with our strong, successful partner IC Investment Holding AS, was completed and formally opened in July of 2010. Please see the Grand Harbour Marina section of the report in relation to CNMIL's sale of its holding in this company to its 79.2% owned subsidiary Grand Harbour Marina plc.

**Completion and construction contract outturn**

Thanks to the efforts by IC Construction the delay in opening the marina was kept down to 3 months despite adverse ground conditions being encountered and permitting delays. The final construction and fit out cost were approximately €14 million. Potential capital expenditure includes a small breakwater extension and certain minor works anticipated to total approximately €0.8 million.

**Trading**

In the period of less than 6 months from opening until the end of the year, Cesme generated revenues of €1.5 million (2009: Nil). After deducting direct cost of sales and normal operating costs but before depreciation and exchange loss, Cesme made an operating loss of €0.5 million (2009: €0.5 million loss). After finance charges, depreciation and exchange losses, Cesme made a loss of €2.5 million (2009: €0.5 million loss). Overheads built up from the start of the year to reach full operating levels in May. Operating expenses, which included €0.4 million of Government rent for the 6 month period, but excluding depreciation of €0.4 million and exchange loss of €1.0 million (€0.8 million unrealised) were €1.9 million (2009: €0.5 million) which included one off expenditures relating to the marina opening ceremony of approximately €0.2 million.

CNMIL's 45% share includes revenues of €0.7 million (2009: Nil) and loss before tax of €1.1 million (2009: €0.2 million loss), including €0.5 million relating to exchange.

CB Richard Ellis valued Cesme Marina following completion of the construction of the marina and associated retail space (based on a 100% interest) at €18 million as at 31 December 2010 (2009: €2.3 million). After adjusting for the Group's 45% shareholding, other assets and liabilities and losses there is an NAV uplift of €1.6 million in the period to leave the cumulative NAV uplift at €1.2 million.

Although the marina was not open at the start of the Turkish season, the intensive sales and marketing efforts achieved a total of 208 annual berthing contracts, predominantly of small and mid size yachts, as at 4 March 2011 representing 56% of the total berths available. An introductory 25% discount is being offered to accelerate occupancy and the average price achieved is approximately €69 per square metre per annum.

Illustratively, based on today's tariffs but without an introductory discount stabilised revenues from the lettable berth area would be €3 million.

Utility net margins are approximately 5% of berthing revenues. The Marina has a boatyard capable of accommodating some 50 vessels on land and storage and

lifting of vessels which also contributes illustratively 10% of berthing revenues.

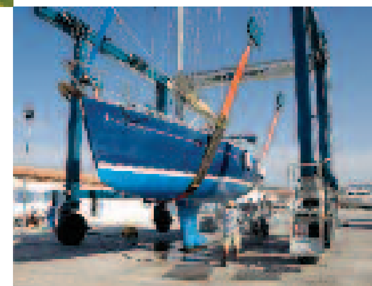
With the continued strength of the Turkish market we would expect occupancy levels to continue to increase at a good pace.

In addition to the water area, the marina has a significant retail village with nearly 6,300 square metres of lettable area consisting of 58 retail units. All these units were let from early July with a mix of fixed and variable rents. The retail village proved to be highly attractive to visitors and footfall on some weekends exceeded 15,000 which helped achieve revenues from rentals and ancillaries averaging €200 per square metre on an annualised basis.

**Other matters**

The success of the landside and seaside operations has led to the need for a General Manager with larger scale experience of both types of operation. I'm pleased to say that in February 2011 Mr. Kemal Saatcioglu joined as General Manager. He has been involved in the Turkish marina sector since 1998, most recently being responsible for a group of marinas. We have also appointed Ms. Asli Yilmazogullari as Financial Controller.

The marina vicinity offers the potential for expansion both on land and on water, and both of these are in an early stage of discussion.



**Facing page:** A busy evening ashore at Cesme Marina.
**Above:** Motor yachts moored in Cesme.
**Above left:** The Capitainerie at Cesme Marina.
**Above right:** Travel hoist in operation in Cesme Marina's boatyard.

# Port Louis Marina

General Manager, Glynn Thomas

**Trading**

2010 was the first full year of operation of Port Louis Marina and intensive marketing efforts by both local management and at Group level resulted in a 75% increase in berth rental revenues to €0.5 million (2009: €0.3 million). Visitor income at €0.4 million was the primary contributor to this revenue but with the TUI-owned charter operators, The Moorings and Sunsail, basing their south Caribbean operations at Port Louis from October 2010 there were 15 annual contracts in place at the end of the year.

Occupancy and revenues have continued to increase in 2011. In January berth rental revenues at US$148 thousand were nearly double January 2010's US$76 thousand.

Encouragingly four berth sales with a total value of €1.2 million (2009: Nil) were completed during the year with the most significant being the €0.8 million sale for a 60 m berth on a 25 year term, which completed in the second half of the year.

During the year the lettable commercial property area was increased to 830 sq metres with the construction of a new larger restaurant/bar which is already popular with visitors to the marina and beneficial for attracting events to the marina. The old restaurant was converted to provide office and storage space for the charter operators, The Moorings and Sunsail. Rents on commercial property currently average approximately €160 per square metre per annum.

With the benefit of the €1.2 million of berth sales (2009: Nil), during the year the marina generated total revenues of €2.0 million (2009: €0.5 million) which, after direct cost of sales of €0.6 million and operating and marketing costs but before depreciation and exchange gains, resulted in an EBITDA of breakeven (2009: €0.9 million loss). After depreciation of €1.5 million (2009: €0.8 million) and an interest charge of €0.4 million (2009: €0.4 million) there was a pre and post tax loss of €1.9 million (2009: €2.5 million loss). This loss was reduced to Nil when exchange gains, primarily relating to the inter company loans, are taken into consideration.

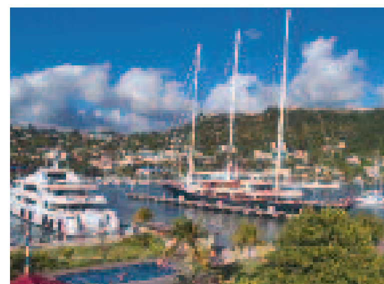
In 2010 the marina achieved an average annual rental rate of $130 per square metre per annum with additional net revenues from utilities of around 9% of the berthing revenues.

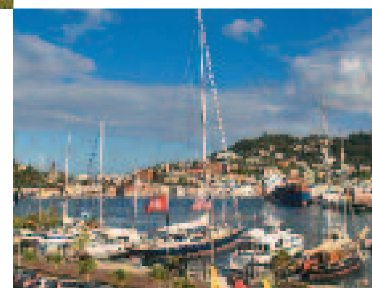
CBRE has valued the marina at US$29 million (€21.7 million) at 31 December 2010, (2009: US$28.6 million €19.9 million). After adjusting for other assets and liabilities and losses there is no NAV adjustment reported in the period in relation to the Port Louis Marina with a cumulative €11.2 million negative adjustment as at 31 December 2010.

Grenada offers multiple attractions to yacht owners, whether visiting or taking berths for longer periods. Experienced owners can see both the benefits they enjoy using Grenada as a base, and the benefits of investment in long term berth ownership as evidenced by the long term berth sales made in 2010. With this in mind the Board believes that in due course the CBRE valuation of the investment will fully reflect this.

**Other matters**

Management is working with the organisers of the Oyster Regatta which will be hosted by Port Louis Marina in April. This will be an opportunity to showcase the marina to Oyster owners who have not visited the marina previously. Sales and marketing efforts are being focused on superyachts with several events hosted aboard a superyacht in Barbados during February.





Facing page: Panoramic view of Port Louis Marina.
Above left: S/Y Eos, the world's largest privately owned sailing yacht, moored in Port Louis.
Above right: Grenada's capital, St George's provides the backdrop.
Left: The 79m (258ft) Princess Mariana, moored in Port Louis Marina.

### Third party marina service agreements

Our marina management team and the sector Intellectual Property which we have developed over many years of working internationally, coupled with arguably the only international premium brand in the sector, are a potent combination for improving the financial results of marinas and of delivering world class service standards. Developers and marina owners worldwide have taken advantage of this fact with the result that in 2010 this side of our business has continued to grow.

Total revenues reached €3.1 million (2009: €2.2 million) including the provision of operating, management, sales & marketing and technical services to the Group's owned marinas and its Parent Company, Camper & Nicholsons Marina Investments Limited.

New consultancy contracts were undertaken in the year in China, Greece, Turkey and the UAE.

We would single out China where in addition to designing the marina at Sanya in Hainan province we also designed a marina at Shenzhen, and in 2011 have undertaken a design review of a marina in Tianjin near Beijing. We are working with amongst others a respected local firm ADM, who bring Chinese market know-how and help us to provide our clients with faster response times and Chinese language support. We are working now to conclude long term management agreements.

At the end of 2010 we carried out a consultancy agreement in relation to the prestigious Yas Marina in Abu Dhabi, which hosts the F1™ Grand Prix.

Recent events in Egypt have meant that our contract in Hurghada has been suspended, and contracts being negotiated in Libya and Tunisia are on hold. St Kitts continues to work to put in place funding, while Marina Istanbul is seeking to enlarge the landside component to include a hotel and possibly residential with groundbreaking on hold pending finalisation of these aspects.

Contacts continued to be maintained with prospective developments in the United States, Cuba, Italy, the Caribbean and South America.

Construction of the Limassol Marina is progressing well, and our technical team is closely involved with the client and contractors to ensure that the marina side of the facility will meet the five star standards expected.

With our own marinas complete we can now focus on growing this aspect of the business and we are confident that 2011 will see a good growth in third party revenues as we continue to increase the number of clients we serve.

### Management team – sales activities – proprietary databases

We have strengthened our management team through the replacement of Alain Giudice, who leaves to return to the United States by Kurt Fraser who takes the position of Sales and Marketing Director. Driving sales revenues from berth rental, utilities, berth sales and landside rentals is the focus of the sales and marketing team and we expect to see positive results through 2011 and beyond.

Our website was completely redesigned with new functionality during the year which has led to an increase in both b2b and retail enquiry. We continue with a wide range of sales and marketing activity, the costs of which are shared across our owned marinas, and our third party clients, giving excellent value to all.

We have continued to build our databases with a view to generating market intelligence on marina supply, and tariffs, the yacht fleet, and evolution of berth sales pricing.

A net saving in management overhead costs of €0.4 million was achieved compared with 2009. Savings were realised in salaries, administration and Directors fees together with a positive exchange impact. Partially offsetting these reductions are the additional costs of the work in preparing for the strategic review, and an increase in promotion activities.

## Financial overview

**2010 results**

| €m | 2010 | 2009 | 2008 |
|---|---|---|---|
| Berth sales | **1.2** | – | 1.0 |
| Marina operating activities | **3.8** | 2.6 | 1.8 |
| Marina consultancy (external) | **0.5** | 0.2 | – |
| Total revenues | **5.5** | 2.8 | 2.8 |
| Gross profit | **4.3** | 2.2 | 2.1 |
| EBITDA | **(2.5)** | (4.0) | (6.2) |
| Operating loss | **(4.6)** | (5.1) | (7.1) |
| Average lettable berth area (sq m) | **93,900** | 67,100 | 52,800 |
| Year end lettable berth area (sq m) | **107,100** | 76,400 | 64,000 |
| Investments made | **6.2** | 9.0 | 23.7 |

Sales of €5.5 million (2009: €2.8 million) during the year, reflected an increased level of marina operating activities at both GHM and Port Louis, a first contribution to revenues by Cesme Marina, €1.2 million (2009: Nil) of superyacht berth licences at Port Louis and €0.5 million (2009: €0.2 million) in revenues from the third party marina services and consultancy business. After direct cost of sales of €1.1 million (2009: €0.6 million), operating expenses of €6.8 million (2009: €7.4 million), depreciation of €2.1 million (2009: €1.2 million) and net interest expenditure of €1.3 million (2009: €0.6 million), this resulted in a loss before tax of €5.9 million (2009: €5.7 million loss) and an after tax figure of the same amount (2009: €4.5 million loss). The loss per share to CNMIL shareholders was 10.4c (2009: loss per share of 8.7c).

**Facing page:** The 47m (155ft) sailing yacht Sheherazade, moored in Porto San Rocco.
**Above:** Porto San Rocco from the air.

**Comparison of results with 2009**

The change in revenues, operating expenses and cost of sales and profit before tax from the period 1 January to 31 December 2009 to the same period in 2010 is summarised in the table below:

| | | Operating expenses and cost of sales | | | | |
|---|---|---|---|---|---|---|
| €m | Sales | Marinas | Consultancy | Other | Dep'n | Loss before tax |
| Marinas | 2.6 | (4.1) | – | – | (1.1) | (2.6) |
| Marina Consultancy | 2.2 | – | (2.6) | – | (0.1) | (0.5) |
| Parent Company | – | – | – | (2.0) | – | (2.0) |
| Interest | – | – | – | (0.6) | – | (0.6) |
| **Group total 2009** | 4.8 | (4.1) | (2.6) | (2.6) | (1.2) | (5.7) |
| Marina changes | 2.4 | (1.5) | – | – | (0.9) | – |
| Marina consultancy changes | 0.1 | – | (0.1) | – | – | – |
| Increased funding of consultancy business | 0.8 | – | – | (0.8) | – | – |
| Change in central costs | – | – | – | 0.3 | – | 0.3 |
| Exchange | – | – | – | 0.2 | – | 0.2 |
| Change in interest | – | – | – | (0.7) | – | (0.7) |
| **2010** | **8.1** | **(5.6)** | **(2.7)** | **(3.6)** | **(2.1)** | **(5.9)** |
| Analysed as: | | | | | | |
| Marinas | 5.0 | (5.6) | – | – | (2.0) | (2.6) |
| Marina Consultancy | 3.1 | – | (2.7) | – | (0.1) | 0.3 |
| Parent Company | – | – | – | (2.3) | – | (2.3) |
| Interest | – | – | – | (1.3) | – | (1.3) |
| **Total above** | **8.1** | **(5.6)** | **(2.7)** | **(3.6)** | **(2.1)** | **(5.9)** |
| Intra Group sales | (2.6) | 0.9 | – | 1.7 | – | – |
| **Group total 2010** | **5.5** | **(4.7)** | **(2.7)** | **(1.9)** | **(2.1)** | **(5.9)** |

As the Marina Consultancy business is reported as a separate business segment as required by IFRS8 the revenues above for that business include both external and intra group revenues.

## Statement of financial position

The consolidated Statement of Financial Position at 31 December 2010 comprised the assets and liabilities of the Company, Grand Harbour Marina plc, Camper & Nicholsons Caribbean Holdings Ltd and Camper & Nicholsons Marinas International Limited and, on a proportional basis, the Company's interest in Cesme. The non current assets of €60.6 million (Dec 2009: €52.1 million) comprised the tangible fixed assets employed in the marina businesses, the goodwill arising on the acquisitions and the €2.0 million pledged cash deposit relating to Cesme. Current assets included the Company's cash balances of around €1.6 million, held mainly as fixed short term deposits, the un-invested net proceeds of the GHM bond issue of around €7.8 million and the other cash balances and trade and other debtors of the marina businesses.

Current liabilities were mainly trade related, together with the current portion of long-term debt at Port Louis, Cesme and for the Company. The non current liabilities were comprised of the GHM unsecured bond and the balance of the long term debt at Port Louis, Cesme and the Company.

At 31 December 2010 the Group's net assets, on an IFRS basis, amounted to €38.9 million (Dec 2009: €42.0 million). Of this amount, €0.7 million related to the minority shareholders in GHM with €38.2 million (Dec 2009: €40.9 million) attributable to the Company, which equated to 63.4c (Dec 2009: 75.6c) and 63.4c (Dec 2009: 75.8c) per share on a basic and diluted basis respectively. On a revaluation basis, the net assets per share were 50.1c (Dec 2009: 54.8c) and 50.5c (Dec 2009: 55.2c) on a basic and diluted basis respectively as shown below.

As at 31 December 2010, excluding the €2.0 million pledged cash deposit relating to Cesme, the Group had total cash balances of €10.8 million. Of this, €1.6 million was held by the Company with €8.6 million held by GHM. Of this GHM balance, €7.4 million is the net remaining proceeds of the bond issue after repayment of the HSBC loan and one semi annual interest payment.

## Net Asset Value and property valuation

The statutory NAV of the Group as at 31 December 2010 was 63.4c per share (Dec 2009: 75.6c per share), with a diluted NAV per share of 63.4c (Dec 2009: 75.8c per share). As indicated previously, this figure does not reflect any revaluation of the Company's investments in subsidiaries and joint ventures, since in accordance with our statutory accounting policies, which conform to the requirements of International Financial Reporting Standards (IFRS), such investments are consolidated in the statement of financial position at the book value of the Group's share of net assets.

However, in accordance with the Group's stated valuation policy, which was set out in the Admission Document, CB Richard Ellis Limited has updated its valuations of Cesme Marina, Turkey, Grand Harbour Marina, Malta and Port Louis Marina, Grenada. The basis on which these valuations were completed is explained in the Note at the end of this report. CB Richard Ellis's valuations of Cesme, Grand Harbour Marina and Port Louis Marina,

**Facing page:** The annual Vela & Vela boat show taking place in Porto San Rocco.
**Above:** Aerial view of Limassol Marina (CGI rendering).

completed in accordance with RICS Appraisal and Valuation Standards, are €18.0 million, €22.2 million and US$29.0 million respectively. Adjusting for debt and other liabilities, and taking into account the Company's shareholdings in Cesme and Grand Harbour Marina of 45% and 79.2% respectively, this has resulted in an aggregate NAV change in the period of €3.1 million. On a cumulative basis there is an NAV decrease of €8.1 million equating to an Adjusted NAV per share of 50.1c on both a basic and diluted basis.

The Company holds certain investments, which are accounted for and valued in currencies other than Euros. In keeping with its stated policies, it is not intended to hedge the exchange rate risk but, where possible, the Company's investments and related borrowings will be in matched currencies.

The NAV, and reconciliation to Adjusted NAV, are summarised in the table below.

| | Total (€m) | Per share (c) | Diluted per share* (c) |
|---|---|---|---|
| NAV (IFRS) | 38.2 | 63.4 | 63.4 |
| Grand Harbour Marina | 1.9 | 3.3 | 3.3 |
| Cesme Marina, Turkey | 1.2 | 2.0 | 2.0 |
| Port Louis Marina | (11.2) | (18.6) | (18.6) |
| NAV (adjusted) | 30.1 | 50.1 | 50.1 |

* after adjusting for options granted but not yet exercised

The Adjusted NAV has increased slightly from the 31 December 2009 figure with the valuation uplifts at Cesme and GHM, the new shares issued and the exchange gain offsetting the trading loss in the period. The Adjusted NAV per share at 31 December, 2010 has decreased by 9% since 31 December 2009 with the positive impacts of the Cesme and GHM uplifts and the exchange gain only partially offsetting the impact of the trading loss and the share issue.

The year on year reconciliation is shown in the table below:

| | Total (€m) | Per share (c) | Diluted per share* (c) |
|---|---|---|---|
| Adjusted NAV – 31 December 2009 | 29.7 | 54.8 | 55.2 |
| New shares issued November 2010 | 1.0 | (3.8) | (3.8) |
| Trading loss | (5.7) | (9.4) | (9.4) |
| Valuation adjustments | | | |
| Grand Harbour Marina | 1.5 | 2.5 | 2.5 |
| Cesme | 1.6 | 2.7 | 2.7 |
| Port Louis Marina | – | – | – |
| Exchange gain on consolidation and other changes | 2.0 | 3.3 | 2.9 |
| Adjusted NAV – 31 December 2010 | 30.1 | 50.1 | 50.1 |

* after adjusting for options granted but not yet exercised

## Note concerning property valuations

CB Richard Ellis Ltd is the Company's property valuer and has prepared valuations for Grand Harbour Marina in Malta, Cesme Marina in Turkey and Port Louis Marina in Grenada. Further information is set out below.

**Grand Harbour Marina, Malta**

The property was initially valued as at 11 June 2007 in accordance with Royal Institution of Chartered Surveyors Appraisal and Valuation Standards Fifth Edition (Red Book) in the sum of €23.2 million. The property was valued as a fully operational business entity with reference to trading potential. The property is occupied by way of a sub-Emphyteusis agreement granted June 1999 expiring in 2098. The property was valued again in accordance with Royal Institution of Chartered Surveyors Valuation Standards, Sixth Edition at 31 December 2010 in the sum of €22.2 million. We are in receipt of a valuation statement as at 31 December 2010.

**Cesme Marina, Turkey**

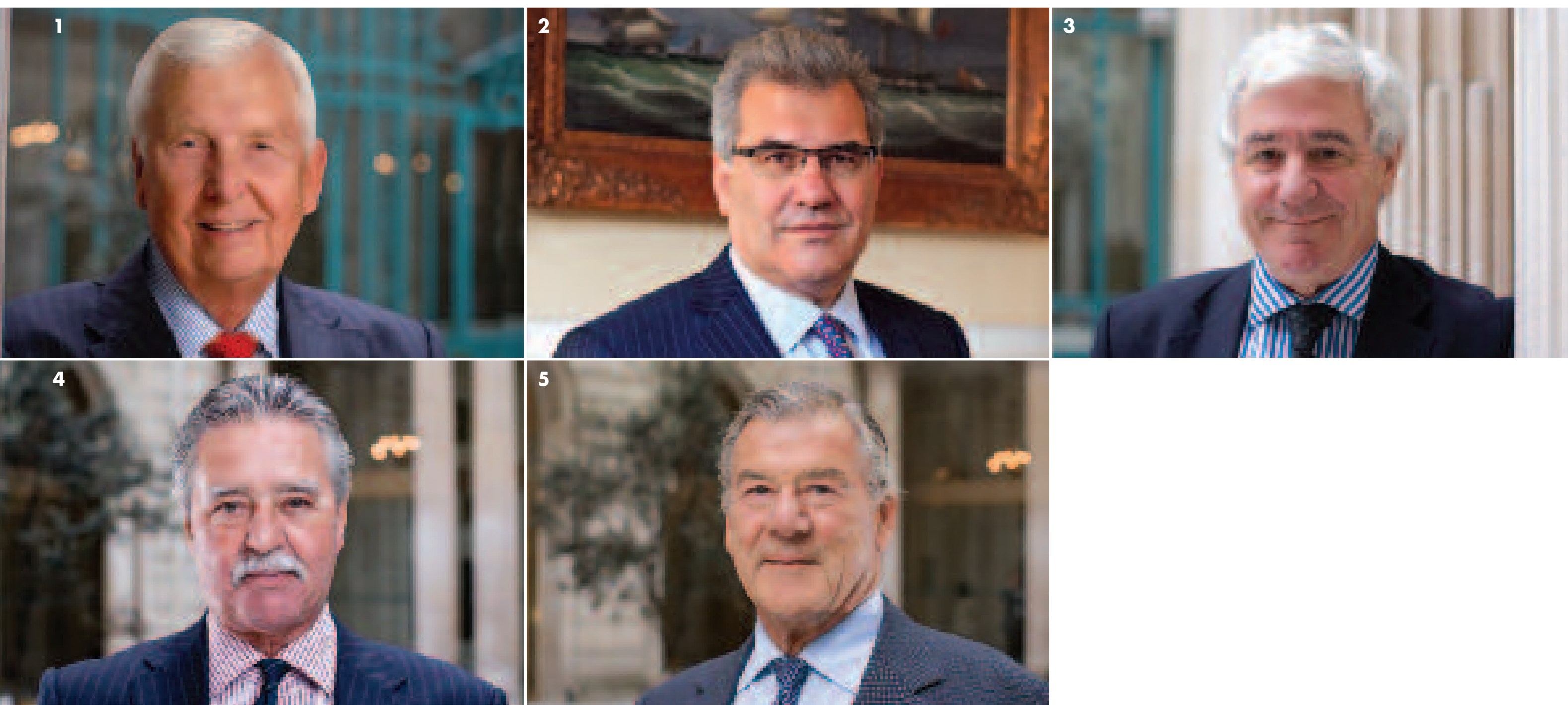
The property was initially valued as at 20 April 2007 in accordance with Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, Fifth Edition (Red Book) in the sum of €4.1 million. The property was valued as a fully operational business entity with reference to trading potential. Following completion of the marina and the associated retail village during 2010, the property was valued again at 31 December 2010 in accordance with Royal Institution of Chartered Surveyors Valuation Standards, Sixth Edition in the sum of €18.0 million. The property is occupied by way of a Build Operate and Transfer agreement expiring after 25 years. On expiry, all interest in the Marina, its fixtures and fittings will revert to the Turkish Government, free of consideration or compensation. We are in receipt of a valuation statement as at 31 December 2010.

**Port Louis Marina, Grenada**

The property was initially valued as at 6 December 2007 in accordance with Royal Institution of Chartered Surveyors Appraisal and Valuation Standards Fifth Edition (Red Book) in the sum of $27.3 million. The property and reclaimed land for development was valued in its then current state with reference to trading potential. The property is occupied by way of a 99 year lease from the Government of Grenada which expires in 2105 but is renewable at that time for a further 99 years. The property was valued again at 31 December 2010 in accordance with Royal Institution of Chartered Surveyors Valuation Standards, Sixth Edition but adjusting for the investment made since acquisition in the sum of $29.0 million. We are in receipt of a valuation statement as at 31 December 2010.

Facing page: Exhibiting at the Monaco Yacht Show.
Above: The Camper & Nicholsons Marinas stand at the Dusseldorf Boat Show.

# Board of directors




**1. Sir Christopher Lewinton,** Chairman – UK resident, aged 79
Sir Christopher Lewinton is also Chairman of JF Lehman Europe, a private equity firm, and a member of the Advisory Board of Metalmark Capital/Morgan Stanley Capital Partners. He is an adviser to Compass Partners International Limited. Previous positions held include Chief Executive of TI Group plc (1986-1998) and its chairman (1989-2000), Chief Executive of the Wilkinson Sword Group and a member of the Board of Allegheny International, Inc. (1970-1985), non-executive Director of WPP Group plc (1998-2003), non-executive Director of Reed Elsevier plc (1993-1999) and a member of the Supervisory Board of Mannesman AG (1995-1999).

**2. Nicholas Maris,** Non-executive Director – UK resident, aged 62
Nicholas Maris has 40 years' experience in the marine sector, and a 17 year track record as a marina investor with experience of financing, developing, managing and investing in marinas and marina projects globally, including the acquisition and subsequent redevelopment and sale of Gosport Marina Limited in the United Kingdom and investment in Grand Harbour Marina Limited in Malta. He joined the Camper & Nicholsons Group as an investor and a non-executive Director in 1981 and since 1983 has held executive positions within the Group, including current positions as the Chairman of Camper & Nicholsons Marinas International Limited, Camper & Nicholsons Marinas Limited and Chairman of Camper & Nicholsons (Designs) Limited, which owns the rights to the Camper & Nicholsons trade marks. Mr Maris was also a Director and then Chairman of Camper & Nicholsons Yachts Limited (yacht builders and naval architects) from 1981 to 1999 and Chairman of Camper & Nicholsons International Limited (yacht brokers, charterers and managers) from 1988 to 1992.

**3. Roger Lewis,** Independent Director – Jersey resident, aged 63
Roger Lewis was a director of Berkeley Group Holdings plc for over 15 years, the last 8 of which were as Chairman, a position from which he retired at the end of July 2007. He now acts as a consultant to the Group which is the holding company to UK land and property development entities including Berkeley Homes PLC, St. George PLC and St. James Group Limited. Prior to joining the Berkeley Group, Mr. Lewis was Group chief executive officer of The Crest Nicholson Group PLC from 1983 to 1991, managing director of Crest Homes Limited and Crest Estates Limited and subsequently Chief Executive of Crest Nicholson's property division from 1975 to 1983 and finance director of Crest Homes Limited from 1973 to 1975. Mr Lewis chaired the marina division of Crest Nicholson which included 4 marinas and led the development by Berkeley of Gunwharf Quays in Portsmouth.

**4. Trevor Ash,** Independent Director – Guernsey resident, aged 64
Trevor Ash has over 30 years' investment experience. He is a Fellow of the Securities Institute in England & Wales. He was formerly managing director of Rothschild Asset Management (CI) Limited (now Insight Investment Management (CI) Limited). He is a director of a number of hedge funds, fund of hedge funds, venture capital, derivative and other offshore funds including several managed or advised by Insight, Merrill Lynch and Thames River Capital. Mr Ash recently retired as a director of NM Rothschild & Sons (CI) Limited, the banking arm of the Rothschild Group in the Channel Islands. He was a founding director of Valletta Fund Management Limited, the first fund management company to be established in Malta following the introduction of financial services regulations in 1995.

**5. John Hignett,** Independent Director – Italian resident, aged 76
John Hignett has over 40 years' experience in investment banking and finance. He has recently retired as chairman of Schroder Income Growth Fund Plc but remains a non-executive director of The World Trust Fund. Previous positions include head of Corporate Finance Division (1980) and managing director (1984 – 1988) at Lazard Brothers & Co. Limited, finance director of Glaxo Holdings Plc from 1988 to 1994, and non-executive director of Smiths Group Plc from 1999 to 2003. Furthermore Mr. Hignett served as Director General of the Panel on Takeovers and Mergers from 1981 to 1984 and as Director General of the Council for the Securities Industry in 1983.

# Management team

**1. James Beaver,** Operations Director
James Beaver's experience covers senior management roles in the marine and leisure sectors, with such companies as Esporta Plc and De Vere Hotels Group. During his last assignment with Dean & Reddyhoff Marinas, for whom he worked for over 8 years, James was responsible for projects which included the £26.5m extensive development of a 600 berth marina and dry stack in Portland, which will also be the host venue for the sailing events for the London 2012 Olympic Games. He also played the leading role in the £4m redevelopment of East Cowes Marina. James has extensive experience in the development and letting of marina real estate.

**2. David Mead,** Finance
Over 15 years of experience in the marina sector at Camper & Nicholsons Marinas. Additionally 20 years marine industry experience with C&N (Yachts) Ltd., C&N (Designs) Ltd., Gosport Marina Ltd. and Barlow Gibb UK Ltd.

**3. David Johnson,** Finance
A chartered accountant with over 25 years' experience in senior financial roles with US and European public companies. He spent 16 years with TI group where his roles included group manager of corporate finance and director of special projects.

**4. Bill Green,** Technical
Bill Green is Technical Director for the Camper & Nicholsons Group, with over 20 years' experience in the marina sector in positions including project manager for Port Gocek, Turkey and Grand Harbour Marina, Malta and operations director for Crest Nicholsons Marinas Ltd.

**5. Kurt Fraser,** Sales and Marketing
Sales & Marketing Director for Camper & Nicholsons Marinas, Kurt joined the Group in January 2011. His experience includes a unique combination of brand development, luxury resort real estate and marina sales and marketing. Previous assignments with companies such as Hamptons International, Playground Real Estate and Proven International have included developments throughout North America, Europe and the Middle East.

**6. Phil Ladmore,** Commercial & Legal
A qualified solicitor with over 20 years experience in senior legal and commercial roles ranging from private practice, public companies and private equity backed ventures. He was Commercial Director of TI Group plc's and Smiths Group plc's Aerospace divisions and Commercial and Legal Director at Terra Firma backed HBS Business Services Group.

**7. Anna Tabone,** Sales
Anna Tabone is International Sales Director for Camper & Nicholsons Marinas with over 30 years experience in sales and general management in nautical, yachting and marina related businesses including most recently as marina manager and sales & marketing manager at Grand Harbour Marina.

**8. Gordon Vassallo,** Business Development
Business Development Director within Camper & Nicholsons Marinas with 5 years experience in the marina sector, working in aspects of project design, development and business planning. Further 8 years experience in management positions in engineering sector.

**9. Aris Cefai,** Human Resources
Aris Cefai is Director of Human Resources for Camper & Nicholsons Marinas. He joined in November 2009 with over 10 years experience in strategic human resources management gained in senior management roles in the leisure sector most recently with the Qatar National Hotels Company and Starwood Hotels and Resorts Worldwide.

**10. Tarek Ragheb,** Non Executive
Founder of businesses in Egypt involved in the manufacture and operation of luxury yachts, information technology, real estate and marina development. Divisional Vice President for Gulfstream Aerospace, Middle East, Europe and Africa. Previously worked in the private sector for major US owned aerospace and defence companies after serving in the US Air Force and State Department.

# General information

## Directors
Sir Christopher Lewinton (Chairman)
Nicholas Maris
Roger Lewis
Trevor Ash
John Hignett

## Company Secretary
Shaftesbury Limited

## Registered office
Island House
Grande Rue
St Martins
Guernsey
GY4 6RU

## Legal Advisors United Kingdom
Stephenson Harwood
One, St Paul's Churchyard
London EC4M 8SH

## Legal Advisors Guernsey
Carey Olsen
7 New Street
St. Peter Port
Guernsey
GY1 4BZ

## Nominated Advisor
Collins Stewart Europe Limited
88 Wood Street
London EC2V 7QR

## Auditor
KPMG Channel Islands Limited
20 New Street
St. Peter Port
Guernsey
GY1 4AN

## Bankers
HSBC Bank plc
PO Box 31
St Peter Port
Guernsey
GY1 3AT

Barclays Private Clients International
Le Marchant House
Le Truchot
St. Peter Port
Guernsey
GY1 3BE

The Bank of Nova Scotia
Halifax Street
PO box 194
St. George's
Grenada

# Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2010.

## Principal activity

The principal activity of the Company and its subsidiaries and joint ventures ("The Group") continues to be the acquisition, development, redevelopment and operation of an international portfolio of both new and existing marinas and related real estate primarily in the Mediterranean, the United States and the Caribbean. The Company continues to develop its third party marina management and consulting business.

The Directors' Report should be read in conjunction with the Chairman's statement and the Business review which together provide a commentary on the Group's operations.

## Results and dividends

The results for the period are set out in the attached financial statements. No dividend has been paid in respect of the year ended 31 December 2010 (2009: Nil)

## Fixed assets

Movements in fixed assets during the year are set out in Note 10 to the financial statements.

## Directors

The directors, except where indicated otherwise, remained in office throughout the period and their interests in the shares of the Company as at 31 December 2010 were:

| | Number of shares held |
|---|---|
| Sir Christopher Lewinton (Chairman) | 2,403,129 |
| Nicholas Maris | 8,020,547 |
| Roger Lewis | 166,666 |
| Trevor Ash | – |
| John Hignett | 50,000 |

Included in the holding for Nicholas Maris are 3,246,625 shares held by the Maris Settlement, a discretionary trust of which Nicholas Maris is a potential beneficiary.

Mr Trevor Ash and Mr John Hignett retire from the board in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

Brief biographical details of each of the directors are shown on page 20.

## Directors' and officers' liability insurance

The Company has maintained insurance cover on behalf of the Directors and Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

## Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards and applicable law.

The consolidated financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the consolidated financial statements comply with The Companies (Guernsey) Law, 2008, International Financial Reporting Standards, and the AIM Rules of the London Stock Exchange. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Going concern

After making the necessary enquiries, the directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The directors believe that it is appropriate to continue to apply the going concern basis in preparing the consolidated financial statements.

## Substantial shareholdings

Individual shareholdings representing 3% or more of the Company's issued share capital at the date of this report are detailed in note 27 to the accounts.

## Corporate governance

**Introduction**

As a closed-ended investment company registered in Guernsey, the Company is eligible for exemption from the requirements of the Combined Code issued by the Financial Reporting Council. However, the board recognises the importance of good corporate practice and is committed to maintaining high standards of corporate governance throughout the Group. It has put in place a framework which it considers appropriate for a company of this size, nature and stage of development.

**Board of directors**

The Company has a board of five non-executive directors.

The board meets regularly on a quarterly basis, and on other occasions as required, to review the investment performance and monitor compliance with the investment policy laid down by the board. The board has a formal schedule of matters specifically reserved for its decisions, including inter alia strategy, investment and dividend policies, gearing etc.

The table below sets out the number of board meetings held during the year ended 31 December 2010 and the number of meetings attended by each director:

| | Scheduled Board meetings | | Ad Hoc Board meetings | |
|---|---|---|---|---|
| | Held | Attended | Held | Attended |
| Sir Christopher Lewinton (Chairman) | 4 | 4 | 8 | 4 |
| Nicholas Maris | 4 | 4 | 8 | 5 |
| Roger Lewis | 4 | 4 | 8 | 5 |
| Trevor Ash | 4 | 3 | 8 | 8 |
| John Hignett | 4 | 3 | 8 | 6 |

The Company's Articles of Association require that one third of the directors should retire by rotation each year and seek re-election at the annual general meeting and that directors appointed by the board should seek re-appointment at the next annual general meeting. All directors therefore submit themselves for re-election at least every three years.

All Directors' contracts are for one year.

| | | | | Emoluments in year ended 31 December 2010 | |
|---|---|---|---|---|---|
| | Date of appointment | Unexpired term of contract at 31 December 2010 | Contractual annual rate of Directors fees € | Group € | Parent Company € |
| Sir Christopher Lewinton (Chairman) | 19-Dec-08 | 12 months | 75,000 | 59,744 | 56,250 |
| Nicholas Maris | 19-Dec-08 | 12 months | 29,143 | 125,207 | – |
| Roger Lewis | 20-Oct-06 | 10 months | 29,143 | 27,534 | 20,546 |
| Trevor Ash | 20-Oct-06 | 10 months | 32,640 | 27,676 | 23,832 |
| John Hignett | 20-Oct-06 | 10 months | 29,143 | 28,233 | 20,546 |
| | | | 195,069 | 268,394 | 121,174 |

In addition to the Directors fees shown above, Nicholas Maris is entitled to a salary of £170,000 (€198,169) in his position as Chief Executive Officer of Camper & Nicholsons Marinas, the Group's management subsidiary. During the year Mr Maris waived his entitlement to part of this salary and was paid a salary of £95,000 (€110,742).

All Directors voluntarily waived part or all of their Parent Company Directors fees for the calendar year 2010.

The board has established Remuneration, Nominations and Audit Committees each with formally delegated duties and responsibilities.

## Corporate governance – continued

**Remuneration Committee**

The Remuneration Committee is responsible for considering and making recommendations to the Board on the policy and on the quantum, structure and composition of remuneration packages of senior executives in the Group. In addition, it reviews the operation of the Company's incentive schemes. Rewards are linked to both individual performance and the performance of the Company or the Marina SPV which employs the executive.

The Remuneration Committee comprises John Hignett (Chairman), Roger Lewis, Sir Christopher Lewinton and Nicholas Maris.

**Nominations Committee**

The Nominations Committee is responsible for reviewing the composition of the Board and proposing appointments to and terminations from the Board to meet the desired composition and for proposing appointments to the various Board Committees. In addition, the committee has responsibility for reviewing the remuneration and terms of appointment of the non executive Directors on the Board.

The Nominations Committee comprises Sir Christopher Lewinton, John Hignett and Nicholas Maris.

**Audit Committee**

The audit committee consists of Trevor Ash (chairman), Roger Lewis and John Hignett. The audit committee deals with matters relating to audit, financial reporting and internal control systems. The committee meets as required and has direct access to KPMG Channel Islands Limited, the Company's auditor.

**Internal controls**

The directors have overall responsibility for keeping under review the effectiveness of the Company's systems of internal controls. The purpose of these controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve the business objectives. The board regularly reviews financial results and investment performance with its investment manager.

The Fort Group is engaged to carry out the administration including the accounting function for the Parent Company and retains physical custody of the documents of title relating to investments.

The directors confirm that they have established a continuing process throughout the year and up to the date of this report for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. As part of this process an annual review of the internal control systems is carried out in accordance with the Turnbull guidelines for internal control. The Board does not consider it necessary to maintain a separate internal audit function.

**Risk management**

Management of liquid funds is carried out in accordance with the policy guidelines laid down and regularly reviewed by the Board. In general the guidelines require that uninvested cash will be held in money market funds. Group borrowings are monitored with a view to minimising both interest rate and currency risk. Wherever possible borrowing is in the operational currency of the borrowing entity.

## Relations with shareholders

The Board recognises the value of maintaining regular communications with shareholders. In addition to the formal business of the annual general meeting, an opportunity is given to all shareholders to question the Board on matters relating to the Company's operation and performance. Proxy voting figures for each resolution are announced at the annual general meeting.

The Board is also happy to respond to any written queries made by shareholders during the course of the year and can be contacted at the Registered Office. Alternatively, the Manager is happy to answer any questions you may have and can be contacted in the UK on 020 8334 4787.

## Annual General Meeting

Notice convening the 2011 annual general meeting of the Company and a form of proxy in respect of that meeting are enclosed with this document.

## Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Auditor

KPMG Channel Islands Limited have expressed their willingness to continue in office as auditors.

By Order of the Board

**Shaftesbury Limited**
Secretary
15 March 2011

# Independent Auditor's report

to the members of Camper & Nicholsons Marina Investments Ltd

We have audited the consolidated financial statements of Camper & Nicholsons Marina Investments Limited for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the consolidated financial statements.

In addition, we read all the financial and non-financial information in the Chairman's Statement, Business Review and Directors' Report to identify material inconsistencies with the audited consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- are in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records, or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

**KPMG Channel Islands Limited**
Guernsey, Channel Islands
Chartered Accountants
15 March 2011

# Consolidated statement of comprehensive income

for the year ended 31 December 2010

| | Note | 2010<br>€ | 2009<br>€ |
|---|---|---|---|
| Marina operating activities | | **3,794,665** | 2,574,402 |
| Licensing of superyacht berths | | **1,232,402** | – |
| Marina consultancy fees | | **461,907** | 230,059 |
| **Revenue** | | **5,488,974** | 2,804,461 |
| Cost of sales | | **(1,146,549)** | (566,163) |
| **Gross profit** | | **4,342,425** | 2,238,298 |
| Directors' fees | | **268,394** | 444,140 |
| Salaries and wages | | **2,272,332** | 1,727,220 |
| Audit fees | | **127,673** | 131,702 |
| Administration fees | | **66,630** | 121,337 |
| Rent and rates | | **821,579** | 602,506 |
| Other general administration expenses | 5 | **1,688,335** | 1,600,695 |
| Legal and professional and fundraising fees | | **535,489** | 524,365 |
| Promotion | | **683,042** | 453,244 |
| Depreciation | | **2,121,719** | 1,165,396 |
| Exchange differences | | **343,818** | 605,016 |
| **Operating expenses** | | **8,929,011** | 7,375,621 |
| **Operating loss** | | **(4,586,586)** | (5,137,323) |
| Finance income | | **156,900** | 280,593 |
| Finance expense | | **(1,474,090)** | (840,340) |
| | | **(1,317,190)** | (559,747) |
| **Loss before tax** | | **(5,903,776)** | (5,697,070) |
| Taxation | 6 | **(5,978)** | 1,151,136 |
| **Loss for the year from continuing activities** | | **(5,909,754)** | (4,545,934) |
| **Other comprehensive income** | | | |
| Foreign exchange reserve | | **1,991,366** | 314,885 |
| **Other comprehensive income for the year** | | **1,991,366** | 314,885 |
| **Total comprehensive income for the year** | | **(3,918,388)** | (4,231,049) |
| Loss attributable to: | | | |
| Equity shareholders | | **(5,749,063)** | (4,699,139) |
| Non-controlling interest | | **(160,691)** | 153,205 |
| **Loss for the year** | | **(5,909,754)** | (4,545,934) |
| Total comprehensive income attributable to: | | | |
| Equity shareholders | | **(3,757,697)** | (4,384,254) |
| Non-controlling interest | | **(160,691)** | 153,205 |
| **Total comprehensive income for the year** | | **(3,918,388)** | (4,231,049) |
| **Loss per share (Euro cents)** | | | |
| Basic, attributable to equity shareholders | 7 | **(10.43)** | (8.67) |
| Diluted, attributable to equity shareholders | 7 | **(10.43)** | (8.59) |

The accompanying notes on pages 31 to 52 form an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

for the year ended 31 December 2010

| | Issued capital € | Fair value share option reserve € | Retained earnings € | Foreign exchange reserve € | Total € | Non-controlling interest € | Total equity € |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2009** | | | | | | | |
| At 1 January 2009 | 48,653,795 | 78,957 | (3,833,943) | 420,436 | 45,319,245 | 895,881 | 46,215,126 |
| **Total comprehensive income for the year** | | | | | | | |
| Loss for the year | – | – | (4,699,139) | – | (4,699,139) | 153,205 | (4,545,934) |
| **Other comprehensive income** | | | | | | | |
| Foreign currency translation differences | – | – | – | 314,885 | 314,885 | – | 314,885 |
| At 31 December 2009 | 48,653,795 | 78,957 | (8,533,082) | 735,321 | 40,934,991 | 1,049,086 | 41,984,077 |
| **Year ended 31 December 2010** | | | | | | | |
| At 1 January 2010 | **48,653,795** | **78,957** | **(8,533,082)** | **735,321** | **40,934,991** | **1,049,086** | **41,984,077** |
| Issue of share capital | **978,082** | **–** | **–** | **–** | **978,082** | **–** | **978,082** |
| Dividends to non-controlling interest | **–** | **–** | **–** | **–** | **–** | **(156,209)** | **(156,209)** |
| **Total comprehensive income for the year** | | | | | | | |
| Loss for the year | **–** | **–** | **(5,749,063)** | **–** | **(5,749,063)** | **(160,691)** | **(5,909,754)** |
| **Other comprehensive income** | | | | | | | |
| Foreign currency translation differences | **–** | **–** | **–** | **1,991,366** | **1,991,366** | **–** | **1,991,366** |
| At 31 December 2010 | **49,631,877** | **78,957** | **(14,282,145)** | **2,726,687** | **38,155,376** | **732,186** | **38,887,562** |

The accompanying notes on pages 31 to 52 form an integral part of these consolidated financial statements.

# Consolidated statement of financial position

as at 31 December 2010

| | Note | 31 December 2010 € | 31 December 2009 € |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 10 | **47,642,873** | 41,148,143 |
| Cash pledge | 11 | **1,983,000** | – |
| Goodwill | 12 | **10,976,014** | 10,976,014 |
| | | **60,601,887** | 52,124,157 |
| **Current assets** | | | |
| Trade and other receivables | 13 | **2,016,208** | 1,079,942 |
| Cash and cash equivalents | 14 | **10,759,421** | 10,314,872 |
| | | **12,775,629** | 11,394,814 |
| **Total assets** | | **73,377,516** | 63,518,971 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **3,066,571** | 2,774,588 |
| Taxation payable | | **–** | 112,907 |
| Loans repayable within one year | 17 | **1,474,360** | 2,976,657 |
| | | **4,540,931** | 5,864,152 |
| **Total assets less current liabilities** | | **68,836,585** | 57,654,819 |
| **Non current liabilities** | | | |
| Loans repayable after more than one year | 17 | **17,151,463** | 14,551,098 |
| Unsecured 7% Bond | 16 | **11,586,647** | – |
| Other payables | 18 | **1,210,913** | 1,119,644 |
| | | **29,949,023** | 15,670,742 |
| **Net assets** | | **38,887,562** | 41,984,077 |
| **Equity attributable to equity shareholders** | | | |
| Issued capital | 19 | **49,631,877** | 48,653,795 |
| Retained earnings | | **(14,282,145)** | (8,533,082) |
| Fair value share option reserve | 21 | **78,957** | 78,957 |
| Foreign exchange reserve | | **2,726,687** | 735,321 |
| | | **38,155,376** | 40,934,991 |
| **Non-controlling interest** | 22 | **732,186** | 1,049,086 |
| Total equity | | **38,887,562** | 41,984,077 |
| **Net assets per share (Euro cents):** | 20 | | |
| Basic, attributable to ordinary equity shares | | **63.40** | 75.56 |
| Diluted, attributable to ordinary equity shares | | **63.40** | 75.78 |

The consolidated financial statements on pages 27 to 52 were approved by the Board of Directors on 15 March 2011.

**Sir C Lewinton,** Chairman

**T C Ash,** Director

The accompanying notes on pages 31 to 52 form an integral part of these consolidated financial statements.

# Consolidated statement of cash flows

for the year ended 31 December 2010

| | Year ended 31 December 2010 € | Year ended 31 December 2009 € |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before taxation | (5,903,776) | (5,697,070) |
| Adjusted for: | | |
| Finance income | (156,900) | (280,593) |
| Finance expense | 1,474,090 | 840,340 |
| Depreciation | 2,121,719 | 1,165,396 |
| Unrealised foreign exchange loss | (68,870) | 78,115 |
| | (2,533,737) | (3,893,812) |
| (Increase)/decrease in receivables | (923,405) | 320,944 |
| Increase/(decrease) in payables | 246,809 | (572,617) |
| Decrease in stock | – | 5,513 |
| Income tax expense | (118,885) | – |
| **Net cash flows from operating activities** | (3,329,218) | (4,139,972) |
| **Cash flow from investing activities** | | |
| Acquisition of property, plant & equipment | (6,248,558) | (8,978,179) |
| Disposals of property plant and equipment | 403,782 | – |
| Interest received | 156,900 | 280,593 |
| **Net cash flows from investing activities** | (5,687,876) | (8,697,586) |
| **Cash flows from financing activities** | | |
| Proceeds of borrowings | 4,468,750 | 3,979,702 |
| Proceeds from new share issue | 978,082 | – |
| Net proceeds of 7% Bond issue | 11,586,647 | – |
| Increase in cash pledge | (1,983,000) | – |
| Repayment of borrowings | (4,321,982) | (492,334) |
| Dividend paid | (156,209) | – |
| Interest paid | (1,179,515) | (840,340) |
| **Net cash flows from financing activities** | 9,392,773 | 2,647,028 |
| **Net increase/(decrease) in cash and cash equivalents** | 375,679 | (10,190,530) |
| Opening cash and cash equivalents | 10,314,872 | 20,583,862 |
| Effect of exchange rate fluctuations on cash held | 68,870 | (78,460) |
| **Closing cash and cash equivalents** | 10,759,421 | 10,314,872 |

The accompanying notes on pages 31 to 52 form an integral part of these consolidated financial statements.

# Notes to the financial statements

for the year ended 31 December 2010

## 1 Corporate information

Camper & Nicholsons Marina Investments Limited ("the Parent Company") is a limited liability company, incorporated and domiciled in Guernsey, whose shares are publicly traded on the AIM Market.

The principal activity of the Parent Company and its subsidiaries and joint ventures ("the Group") during 2010 was the acquisition, development, redevelopment and operation of an international portfolio of both new and existing marinas and related real estate in the Mediterranean and the United States/Caribbean. The Group has also continued to develop its third party marina management and consulting business.

## 2 Basis of preparation and accounting policies

### Basis of preparation

The consolidated financial statements of the Group for the year to 31 December 2010 have been prepared on a historical cost basis except that assets and liabilities acquired by business combinations are valued at fair value at the date of acquisition in the consolidated financial statements. The consolidated financial statements are presented in Euros.

**Statement of compliance**

The consolidated financial statements of the Group, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards (IFRS) and are in compliance with The Companies (Guernsey) Law 2008. With the adoption of The Companies (Guernsey) Law 2008, the Company is no longer required to disclose Parent Company financial statements.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated Statement of Comprehensive Income and within equity in the consolidated Statement of Financial Position, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill. Under the revised standard, effective for the Group's 2010 consolidated financial statements, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the exchange. Any change in the accounting policy is to be applied prospectively and should include the impact on earnings per share. This has had no impact on the Group's Consolidated Financial Statements for the year ended 31 December 2010.

### Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

**Impairment of financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

## 2 Basis of preparation and accounting policies – continued

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

**Share-based payments**
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in Note 21.

**Deferred tax assets**
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 31 December 2010 was Nil (2009: Nil).

### Changes in accounting policies

**(i) Accounting for business combinations**
From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

*Acquisitions on or after 1 January 2010*
For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

*Acquisitions between 20 October 2006 (date of incorporation) and 1 January 2010*
For acquisitions between 20 October 2006 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

**(ii) Accounting for acquisitions of non-controlling interests**
From 1 January 2010 the Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions

with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

## Summary of significant accounting policies

**Business combinations and goodwill**

The Group has changed its accounting policy with respect to accounting for business combinations as detailed above.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**Interests in joint ventures**

The Group has an interest in a joint venture, which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture using proportional consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements.

The financial statements for the joint venture are prepared for the same reporting year as the Parent Company using consistent accounting policies.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction.

The joint venture is proportionately consolidated until the date when the Group ceases to have joint control over the joint venture.

**Revenue recognition**

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:

*Licensing of superyacht berths*

Superyacht berths are licensed to berth holders on terms which transfer substantially all the risks and rewards incidental to ownership. They are therefore classified as finance leases. All amounts receivable under such contracts are collected at the outset of the contract. Revenue from such licensing over long term periods is recognised in full in profit or loss on signing of the licensing contracts.

*Rendering of marina operating activities and consultancy fees*

Revenue from the rendering of marina operating activities and consultancy fees is recognised when the services have been delivered. When services are delivered evenly over a period of time the revenue is recognised pro rata to the time elapsed.

*Rental income*

Rental income from operating leases is recognised on a straight line basis over the term of the rental.

*Interest income*

Interest income is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

*Dividends*

Dividends are recognised by the Parent Company when the Company's right to receive the payment is established. Intragroup dividends are eliminated in the consolidated financial statements.

**Expenses**

All expenses are accounted for on an accruals basis. Operating expenses are charged wholly to profit or loss. Costs of issue of shares for cash are charged to shareholders' equity and share capital is shown in the consolidated Statement of Financial Position net of such costs. Costs incurred in issuing shares as consideration for the acquisition of business combinations are charged as an expense in profit or loss.

**Taxation**

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

## 2 Basis of preparation and accounting policies – continued

*Deferred income tax*
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill, and
- in respect of taxable temporary differences associated with investments in subsidiaries or joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets and liabilities is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that had been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Sales tax*
Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated Statement of Financial Position.

**Property, plant and equipment: recognition and measurement**
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of replacing an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. The costs of the day-to-day servicing of the plant and equipment are recognised in profit or loss as incurred. Assets in the course of construction are not depreciated.

Interest incurred during the construction phase is capitalised as part of the cost of marina facilities.

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

As part of its operating activities the Group licenses out superyacht berths over longer periods, typically 25-30 years under finance leases as described under Revenue Recognition above. The cost of such berths is apportioned between that part attributable to the initial licensing period, which is recognised immediately in the profit or loss and that part (residual amount) attributable to the time period which extends beyond the initial licensing period. The method of cost apportionment used represents a fair reflection of the pattern of future economic benefits estimated to accrue from the licensing of such berths. The residual amount is classified in the consolidated Statement of Financial Position as non-current assets.

The policy on business combinations for accounting treatment on initial recognition of property plant and equipment of businesses acquired is set out in the "Business combinations and goodwill policy", see above.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed biannually and where adjustments are required these are made prospectively.

**Property, plant and equipment: depreciation**
Depreciation is recognised in the consolidated Statement of Comprehensive Income on a straight line basis over the estimated useful life of each part of an item of plant and equipment. The estimated useful lives are as follows:

## 2 Basis of preparation and accounting policies – continued

| | |
|---|---|
| Leasehold seabed | 99 years |
| Buildings | 24 and 10 years |
| Superyacht berths | 50 years |
| Pontoons | 25 years |
| Motor vehicles | 5 years |
| Other equipment | 5 years |

In relation to the superyacht berths, depreciation is provided up to the point when a long term licensing contract is signed, at which time the carrying amount of such berths is apportioned and accounted for as explained in Revenue Recognition above.

**Cash and cash equivalents**
Cash and short term deposits 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.

**Trade and other receivables**
Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made where there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**Trade and other payables**
Trade payables are included at the lower of their original invoiced value and the amount payable.

**Interest bearing loans and borrowings**
Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs.

After initial recognition interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are realised respectively in finance revenue and finance cost.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as expense using the effective interest method.

**Foreign currency**
*(i) Foreign currency transactions*
The consolidated financial statements are prepared in Euros, which is the Parent Company's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currency are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency 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.

All differences are taken to the profit or loss.

*(ii) 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 presented in the foreign exchange reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of 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. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining 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 that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign exchange reserve in equity.

# Notes to the financial statements

for the year ended 31 December 2010
Continued

## 2 Basis of preparation and accounting policies – continued

**Impairment of assets**
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the Directors' view on current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value.

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

**Provisions**
A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

**Leases**
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases and not recognised in the consolidated Statement of Financial Position; lease payments under operating leases are straight lined across the term of the lease.

**Share based payment transactions**
The Company has granted share options to each of its placing agents. These options were valued at the grant date using the Black and Scholes valuation method. They have been included in the cost of equity. These options all expired on 29 January 2011 at which time none of them had been exercised. As no share options remain there is no potential dilution of the Group's earnings for the year ended 31st December 2010 or of the net assets of the Group at the reporting date.

The Group has no other share based payment transactions.

**Segment reporting**
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Chairman and CEO of Camper & Nicholsons Marinas International Ltd, the Group's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

Reported segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities (primarily Camper & Nicholsons Marina Investments Limited) and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## 2 Basis of preparation and accounting policies – continued

**Standards issued but not yet effective**
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except as below:

*IFRS 9, Financial Instruments (2009)* was published on 12 November 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2013 but may be applied earlier. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

## 3 Seasonality of operations

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

## 4 Segmental reporting

Under the "management approach" to segmental reporting, the Company believes there are two separately reportable segments to its business, Marina operations and Marina consultancy. These two operating segments are managed separately as they have different resource and capital requirements. A summary of the business operations in each of these two operating segments is given below:

*Marina operations:* ownership and operation of high quality marina facilities providing berthing and ancillary services for yachts and superyachts.

*Marina consultancy:* provision through multi year contracts of a range of services, including consultancy, to third party marinas.

The results for these two segments for the year ended 31 December 2010 are set out below:

| | Marina operations € | Marina consultancy € | Parent Company € | Total € |
|---|---|---|---|---|
| **For the year ended 31 December 2010** | | | | |
| Revenues from external customers | **5,027,067** | **461,907** | **–** | **5,488,974** |
| Intersegment revenues | **–** | **2,588,388** | **44,172** | **2,632,560** |
| Interest revenue | **139,309** | **1,561** | **16,030** | **156,900** |
| Interest expense | **(1,400,871)** | **(57,099)** | **(16,120)** | **(1,474,090)** |
| Depreciation and amortisation | **2,028,346** | **82,594** | **–** | **2,110,940** |
| Reportable segment profit/(loss) | **(3,871,742)** | **258,639** | **(2,290,673)** | **(5,903,776)** |
| Reportable segment assets | **67,688,185** | **2,184,544** | **33,583,959** | **103,456,688** |
| Expenditures for reportable segment non current assets | **6,224,109** | **47,932** | **–** | **6,272,041** |
| Reportable segment liabilities | **(57,751,599)** | **(1,387,211)** | **(1,690,368)** | **(60,829,178)** |

# Notes to the financial statements

for the year ended 31 December 2010
Continued

## 4 Segmental Reporting – continued

| | Marina operations € | Marina consultancy € | Parent Company € | Total € |
|---|---|---|---|---|
| **For the year ended 31 December 2009** | | | | |
| Revenues from external customers | 2,574,402 | 230,059 | – | 2,804,461 |
| Inter-segment revenues | – | 2,001,915 | – | 2,001,915 |
| Interest revenue | 31,662 | 735 | 210,067 | 242,464 |
| Interest expense | (663,088) | (68,910) | (70,213) | (802,211) |
| Depreciation and amortisation | 1,098,151 | 67,245 | – | 1,165,396 |
| Reportable segment loss | (3,209,098) | (592,283) | (1,895,689) | (5,697,070) |
| Reportable segment assets | 55,413,087 | 2,063,839 | 34,426,728 | 91,903,654 |
| Expenditures for reportable segment non current assets | 8,754,555 | 131,870 | – | 8,886,425 |
| Reportable segment liabilities | (43,550,592) | (2,873,125) | (1,814,736) | (48,238,453) |

**Reconciliation of reportable segment revenues and profit and loss**

| | 31 Dec 2010 € | 31 Dec 2009 € |
|---|---|---|
| **Revenues** | | |
| Total revenues for reportable segments | **8,077,362** | 4,806,376 |
| Other revenues | **44,172** | – |
| Elimination of inter-segment revenues | **(2,632,560)** | (2,001,915) |
| Group Revenues | **5,488,974** | 2,804,461 |
| **Profit and loss** | | |
| Total profit and loss for reportable segments | **(3,613,103)** | (3,801,381) |
| Other profit or loss | **(2,290,673)** | (1,895,689) |
| Group loss | **(5,903,776)** | (5,697,070) |
| **Assets** | | |
| Total assets for reportable segments | **69,872,729** | 57,476,926 |
| Other assets | **33,583,959** | 34,426,728 |
| Less: inter company loans | **(26,339,224)** | (26,703,559) |
| Less: investments in subsidiaries (net of goodwill) | **(3,739,948)** | (1,681,124) |
| Group assets | **73,377,516** | 63,518,971 |
| **Liabilities** | | |
| Total liabilities for reportable segments | **(59,138,810)** | (46,423,717) |
| Other liabilities | **(1,690,368)** | (1,814,736) |
| Less: inter-company loans | **26,339,224** | 26,703,559 |
| Group liabilities | **(34,489,954)** | (21,534,894) |

## 5 Other general administration expenses

| | Year ended 31 December 2010 € | Year ended 31 December 2009 € |
|---|---|---|
| Communications including travel | **299,780** | 362,698 |
| Repairs and maintenance | **177,585** | 127,163 |
| Security | **130,959** | 96,899 |
| Insurance | **196,400** | 267,283 |
| Electricity, water and gas | **175,647** | 97,191 |
| Printing, stationery and postage | **54,940** | 62,675 |
| Bank charges | **63,044** | 65,472 |
| Bad debt provision | **113,113** | 37,696 |
| Other | **476,867** | 483,618 |
| **Total** | **1,688,335** | 1,600,695 |

## 6 Taxation

**6.1 Taxation charge/credit**

The Parent Company, Camper & Nicholsons Marina Investments Limited is a Guernsey Exempt Company and is therefore not subject to taxation on its income under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. An annual exempt fee of £600 has been paid. The Group's tax charge during the year is calculated as shown in the table below:

| | Year ended 31 December 2010 € | Year ended 31 December 2009 € |
|---|---|---|
| **Current tax (credit)/expense** | | |
| Tax over-provided in prior periods | **–** | (1,233,370) |
| Current period | **5,978** | – |
| Deferred tax – movement in temporary differences | **–** | 82,234 |
| Total charge/(credit) | **5,978** | (1,151,136) |

**6.2 Change in estimate**

As part of its operating activities, the Group's operating subsidiary in Malta, Grand Harbour Marina, enters into long-term superyacht berth licensing agreements. On the basis that it was uncertain as to whether such transactions were subject to tax at the rate of 35% on the taxable income for the relevant year or subject to a final withholding tax of 12% on the consideration received, Grand Harbour Marina made provision in its financial statements up to and including the year ended 31 December 2008, for the estimated amount of taxation payable at the rate of 35% on the taxable income for the relevant year.

During December 2009, it was confirmed with the Inland Revenue in Malta that such transactions which took place on or after 1 November 2005 and which give effect to transfer of rights over immovable property are subject to a final withholding tax of 12% on the consideration received. This resulted in a reduction in the tax liability of Grand Harbour Marina for the years to 31 December 2008, previously estimated on the basis of taxable income brought to tax at the rate of 35%, of €1,233,367. This reduction was recognised in the financial statements for the year ended 31 December 2009.

## 6 Taxation – continued

**6.3 Reconciliation of taxation charge**

A reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rates in the countries of operation for the year ended 31 December 2010 is as follows:

| | Year ended 31 December 2010 € | Year ended 31 December 2009 € |
|---|---|---|
| Accounting loss before income tax | **(5,903,776)** | (5,697,070) |
| Income tax using the country domestic rates | **(424,065)** | (145,472) |
| Tax effect of: | | |
| Brought forward losses | **(52,269)** | – |
| Previously unrecognised unrelieved tax losses and unabsorbed capital allowances | **(79,654)** | – |
| Expenses not deductible for income tax | **173,387** | 89,031 |
| Current tax overprovided in prior periods | **–** | (1,233,370) |
| Movement in deductible temporary differences not recognised | **29,940** | 428,178 |
| Deductible temporary differences arising as a result of change in estimate | **126,188** | (354,502) |
| Losses carried forward | **226,473** | – |
| Withholding tax in foreign jurisdictions | **5,978** | – |
| Adjustment to deferred tax | **–** | 64,999 |
| Income tax charge/(credit) for the year | **5,978** | (1,151,136) |

Movement in deferred tax on temporary differences during the year:

| | Year ended 31 December 2010 € | Year ended 31 December 2009 € |
|---|---|---|
| Plant and equipment | **–** | 1,039,017 |
| Excess of depreciation over capital allowances | – | – |
| Provision for doubtful debts | **–** | 21,681 |
| Tax effect of losses | **–** | (978,464) |
| | **–** | 82,234 |

## 7 Earnings per share

Basic earnings per share amounts are calculated by dividing €5,749,063 Group net loss (2009: €4,699,139 Group net loss) for the year attributable to ordinary equity holders of the parent by 55,113,190 (2009: 54,175,000) being the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the above net losses attributable to ordinary equity holders of the parent by 55,113,190 (2009: 54,675,000), being the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares (see notes 19 and 21). For the year ended 31 December 2010 the weighted average number of shares used to calculate the basic and diluted earnings per share is the same because the options which might have created the dilutive effect were not exercised before their expiry date on 19 January 2011.

## 8 Parent Company investments in subsidiaries and joint venture

| | Activity | Country of incorporation | % Equity interest |
|---|---|---|---|
| **Subsidiaries** | | | |
| Camper & Nicholsons Marinas (Malta) Ltd | Investment Holding | Malta | 100.00 |
| Camper & Nicholsons Caribbean Holdings Ltd | Investment Holding | Bahamas | 100.00 |
| Camper & Nicholsons Grenada Ltd | Property Holding | Grenada | 100.00 |
| Camper & Nicholsons Grenada Services Ltd | Marina Operator | Grenada | 100.00 |
| Grand Harbour Marina plc | Marina Operator | Malta | 79.17 |
| Camper & Nicholsons Marinas International Ltd | Investment Management | Malta | 100.00 |
| Camper & Nicholsons Marinas Ltd | Investment Management | UK | 100.00 |
| **Joint venture** | | | |
| IC Cesme Marina Yatirim Turizm ve Isletmeleri Sirketi | Marina Operator | Turkey | 45.00 |

## 9 Joint venture

The Company has a 45% interest in IC Cesme Marina Yatirim Turizm ve Isletmeleri Sirketi, a jointly controlled entity which is involved in the construction and subsequent operation of a marina in Turkey.

This investment comprises:

| | 31 December 2010 € | 31 December 2009 € |
|---|---|---|
| Payment to acquire equity | **711,900** | 711,900 |
| Shareholder loan converted to equity | **866,771** | 207,945 |
| Incidental costs of acquisition | **372,191** | 372,191 |
| Decrease to fair value | **(438,050)** | (975,063) |
| | **1,512,812** | 316,973 |

The share of the assets, liabilities, income and expenses of the jointly controlled entity at 31 December 2010 and for the year then ended, which are included in the consolidated financial statements, are as follows:

| | 31 December 2010 € | 31 December 2009 € |
|---|---|---|
| Current asset | **299,033** | 1,309,559 |
| Non-current assets | **6,441,617** | 1,342,069 |
| | **6,740,650** | 2,651,628 |
| Current liabilities | **(1,115,882)** | (2,297,586) |
| Non-current liabilities | **(5,770,339)** | – |
| | **(145,571)** | 354,042 |
| Revenue | **678,142** | – |
| Operating expenses | **(1,626,265)** | (235,605) |
| Finance revenue | **221** | 438 |
| Finance costs | **(200,166)** | – |
| Loss before income tax | **(1,148,068)** | (235,167) |
| Income tax expense | **–** | – |
| Loss after tax | **(1,148,068)** | (235,167) |

After the reporting date, Camper & Nicholsons Marina Investments Limited agreed to sell its 45% equity investment in IC Cesme Marina Yatirim Turizm ve Isletmeleri Sirketi to Grand Harbour Marina plc as detailed in Note 28.

# Notes to the financial statements

for the year ended 31 December 2010
Continued

## 10 Property, plant and equipment

| | Marina development € | Deferred superyacht berth costs € | Equipment and office furniture € | Motor vehicles € | Leasehold property € | Total € |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| **Year ended 31 December 2009** | | | | | | |
| At 1 January 2009 | 33,351,963 | 531,390 | 1,143,240 | 48,454 | 203,172 | 35,278,219 |
| Additions | 8,673,732 | 925 | 157,747 | 502 | 53,519 | 8,886,425 |
| Reallocations | (956,151) | – | 956,151 | – | – | – |
| Deferred Costs | (925) | – | – | – | – | (925) |
| Expensed | (6,088) | – | – | – | – | (6,088) |
| As at 31 December 2009 | 41,062,531 | 532,315 | 2,257,138 | 48,956 | 256,691 | 44,157,631 |
| **Year ended 31 December 2010** | | | | | | |
| Additions | **4,746,785** | **–** | **1,481,316** | **43,760** | **180** | **6,272,041** |
| Reallocations | **(1,160,947)** | **(4,544)** | **1,165,491** | **–** | **–** | **–** |
| Sale of berths | **(398,939)** | **–** | **–** | **–** | **–** | **(398,939)** |
| Disposals | **–** | **–** | **(8,072)** | **(15,735)** | **–** | **(23,807)** |
| Exchange to closing rate | **2,734,015** | **–** | **81,995** | **2,467** | **–** | **2,818,477** |
| **As at 31 December 2010** | **46,983,445** | **527,771** | **4,977,868** | **79,448** | **256,871** | **52,825,403** |
| **Depreciation:** | | | | | | |
| **Year ended 31 December 2009** | | | | | | |
| At 1 January 2009 | 1,551,134 | 3,613 | 267,846 | 21,499 | – | 1,844,092 |
| Depreciation charge | 697,771 | – | 447,954 | 6,302 | 13,369 | 1,165,396 |
| As at 31 December 2009 | 2,248,905 | 3,613 | 715,800 | 27,801 | 13,369 | 3,009,488 |
| **Year ended 31 December 2010** | | | | | | |
| Depreciation charge | **1,183,019** | **–** | **910,687** | **14,635** | **13,378** | **2,121,719** |
| Disposals | **–** | **–** | **(3,229)** | **(15,735)** | **–** | **(18,964)** |
| Exchange to closing rate | **48,613** | **–** | **20,950** | **724** | **–** | **70,287** |
| **As at 31 December 2010** | **3,480,537** | **3,613** | **1,644,208** | **27,425** | **26,747** | **5,182,530** |
| **Net Book Value:** | | | | | | |
| As at 31 December 2009 | 38,813,626 | 528,702 | 1,541,338 | 21,155 | 243,322 | 41,148,143 |
| **As at 31 December 2010** | **43,502,908** | **524,158** | **3,333,660** | **52,023** | **230,124** | **47,642,873** |

It is the Directors' belief that, in the medium term, with the expected levels of cash flow and profits which the business will generate, it is not appropriate to impair the value of property, plant and equipment.

## 11 Cash pledge

As detailed in Note 17, the subordinated loan provided by Isbank to IC Cesme is secured against cash pledges made by the IC Cesme shareholders. As at 31 December 2010 the cash pledge made by the Company in relation to the subordinated loan was €1,983,000 (2009: Nil).

## 12 Goodwill

Goodwill arises from the following acquisitions:

| | 31 December 2010 | | | 31 December 2009 |
|---|---|---|---|---|
| | Acquisition cost € | Group share of fair value of assets/(liabilities) acquired € | Goodwill € | Goodwill € |
| Grand Harbour Marina plc | **11,167,684** | **1,835,062** | **9,332,622** | 9,332,622 |
| IC Cesme Marina Yatirim Turizm ve Isletmeleri Sirketi | **1,084,091** | **711,900** | **372,191** | 372,191 |
| Camper & Nicholsons Marina Holdings | **125,808** | **(1,145,393)** | **1,271,201** | 1,271,201 |
| | | | **10,976,014** | 10,976,014 |

The Company commissions biannual professional valuations of the marinas in which it has a financial interest and reviews the carrying value of marina related goodwill by reference to those valuations. Valuations of Grand Harbour Marina, Port Louis Marina and Cesme Marina were carried out as at 31 December 2010 by the specialist leisure consultancy team of CB Richard Ellis, the Company's independent property valuer. Having reviewed the valuations, the directors have concluded that no adjustment to the carrying value was necessary at 31 December 2010.

## 13 Trade and other receivables

| | 31 December 2010 € | 31 December 2009 € |
|---|---|---|
| Trade receivables | **1,370,916** | 289,050 |
| Taxation recoverable | **172,800** | 115,665 |
| Other receivables | **8,399** | 213,531 |
| Prepayments and accrued income | **464,093** | 461,696 |
| | **2,016,208** | 1,079,942 |

Trade receivables are non-interest bearing and are generally on 30-90 days terms.

As at 31 December 2010 the ageing analysis of trade receivables was as follows:

| | 31 December 2010 € | 31 December 2009 € |
|---|---|---|
| Neither past due nor impaired | **271,838** | 87,084 |
| Past due but not impaired: | | |
| Less than 30 days | **642,645** | – |
| Between 30 and 60 days | **134,892** | 33,527 |
| Between 60 and 90 days | **121,525** | 69,908 |
| Between 90 and 120 days | **147,536** | 19,017 |
| Greater than 120 days | **52,480** | 79,514 |
| Past due and impaired: | | |
| Less than 120 days | **16,533** | – |
| Greater than 120 days | **232,113** | 139,655 |
| Less impairment | **(248,646)** | (139,655) |
| | **1,370,916** | 289,050 |

# Notes to the financial statements

for the year ended 31 December 2010
Continued

## 14 Cash and cash equivalents

| | 31 December 2010 € | 31 December 2009 € |
|---|---|---|
| Cash and cash equivalents comprise the following: | | |
| Cash at bank and in hand | **1,226,166** | 3,489,292 |
| Short term deposits | **9,533,255** | 4,899,992 |
| Scotia Bank collateral deposit | **–** | 1,925,588 |
| | **10,759,421** | 10,314,872 |

## 15 Trade and other payables

| | 31 December 2010 € | 31 December 2009 € |
|---|---|---|
| Trade payables | **782,525** | 323,263 |
| Other payables | **386,271** | 449,734 |
| Accrued expenses | **1,356,158** | 1,578,150 |
| Deferred revenue | **541,617** | 423,441 |
| | **3,066,571** | 2,774,588 |

Trade payables are non-interest bearing and are normally settled on 30-90 day terms.

## 16 Unsecured bond issue

On 26 February 2010, Grand Harbour Marina plc (“GHM”) issued €10,000,000 bonds, with an over-allotment option of €2,000,000 bearing an interest rate of 7%, redeemable on 25 February 2020 and subject to an early redemption option that may be exercised by GHM between 2017 and 2020. GHM has used part of the funds to repay the loan facility of €3,780,369. As at 31 December 2010, the outstanding balance related to these bonds was €11,586,647 which can be analysed as shown in the table below:

| | 31 December 2010 € |
|---|---|
| Proceeds from issue of unsecured bonds | **12,000,000** |
| Issue costs | **(440,336)** |
| Amortisation of transaction costs | **26,983** |
| Balance at 31 December 2010 | **11,586,647** |

## 17 Interest bearing loans and deposits

| | 31 December 2010 € | 31 December 2009 € |
|---|---|---|
| Bank loans | **17,031,572** | 15,942,894 |
| Bank overdrafts | **92,251** | 82,861 |
| | **17,123,823** | 16,025,755 |
| Unsecured 7% Bond (Note 16) | **11,586,647** | – |
| Other loan | **1,502,000** | 1,502,000 |
| Total loans | **30,212,470** | 17,527,755 |
| Repayable within one year | **1,474,360** | 2,976,657 |
| Repayable after more than one year | **28,738,110** | 14,551,098 |
| | **30,212,470** | 17,527,755 |

## 17 Interest bearing loans and deposits – continued

| | Interest rate at 31 Dec 2010 % | Interest rate at 31 Dec 2009 % | Year of maturity 2011 € | Year of maturity 2013 € | Year of Maturity 2015 € | Year of Maturity 2019 € | Year of Maturity 2020 € | Total € |
|---|---|---|---|---|---|---|---|---|
| Scotia Bank loan A | 3.39% | 3.30% | – | – | 5,287,587 | – | – | 5,287,587 |
| Scotia Bank loan B | 5.70% | 3.30% | – | – | 5,613,000 | – | – | 5,613,000 |
| Isbank loan | 6.52% | 6.20% | – | – | – | 4,162,224 | – | 4,162,224 |
| Isbank sub loan | 1.40% | – | – | – | – | 1,968,761 | – | 1,968,761 |
| Bank overdraft | 5.50% | 5.00% | 92,251 | – | – | – | – | 92,251 |
| Unsecured 7% bond | 7.00% | – | – | – | – | – | 11,586,647 | 11,586,647 |
| Other loan (Note 24) | 6.30% | 3.82% | – | 1,502,000 | – | – | – | 1,502,000 |
| Total | | | 92,251 | 1,502,000 | 10,900,587 | 6,130,985 | 11,586,647 | 30,212,470 |

Information on the maturity profiles of the loans is given in Note 26.

**Security:**
The Scotia Bank loan in respect of Camper & Nicholsons Grenada Limited ("CNGL") is secured by:

- First ranking and continuing sum Demand Mortgage Debenture stamped for US$15,000,000 or equivalent charge over the fixed assets, goodwill, and uncalled capital of the borrower and a floating charge over all other assets.

The loan has been shown in two parts as Scotia Bank loan A and loan B to reflect the different repayment profiles. Scotia Bank loan A, originally for US$7,500,000 is repayable in quarterly instalments that commenced at 30 June 2010 with the final payment due in June 2015. Scotia Bank loan B for US$7,500,000, on which the interest rate has been fixed at 5.7% as shown above, is the bullet payment due in June 2015.

The Isbank loan is provided to IC Cesme in the form of a Term Facility Agreement ("Term Facility") in the amount of €9,249,386. This loan is repayable in semi annual instalments commencing in December 2011. In addition to the Term Facility Isbank provided a loan in the form of a General Cash and Non-Cash Credit Agreement (the "Subordinated Loan") with a maximum facility of €6 million. The Subordinated Loan has been secured against cash pledges by the shareholders and is repayable commensurate with the Term Facility. The Group's audited consolidated statement of financial position includes 45% of the value of these loans from Isbank reflecting its shareholding % in IC Cesme Marina. The Isbank loans are guaranteed by the shareholders as detailed in note 23.

The bank overdraft in respect of Grand Harbour Marina plc ("GHM") is secured by:

- a first general hypothec for €1,747,030 on overdraft basis over all assets, present and future given by Grand Harbour Marina plc; and
- a first special hypothec for €1,747,030 on overdraft basis over the temporary utile dominium for 99 years commencing from 2 June 1999 over the land measuring 1,410 square metres at Cottonera Waterfront Vittoriosa; and
- a pledge over cash balances held with HSBC Bank Malta plc for €100,000 in relation to GHM's bid for the Rhodes Mandraki Marina.

Details of the Grand Harbour Marina 7% unsecured bond are given in Note 16.

The other loan is secured by a share charge in favour of the lender over shares that the Parent Company or its subsidiary owns in Camper & Nicholsons Marinas International Limited. The terms of this loan were amended during the period such that the final repayment is now due in June 2013 instead of June 2012.

## 18 Non-current liabilities – other payables

The amount of other payables totalled €1,210,913 (2009: €1,119,644). The amount at the end of 2010 represented deferred consideration on the initial acquisition of Port Louis Marina. This payment has been deferred by agreement until June 2012.

# Notes to the financial statements

for the year ended 31 December 2010
Continued

## 19 Share Capital

| | Authorised | Issued and fully paid 2010 | Issued and fully paid 2009 |
|---|---|---|---|
| Ordinary shares of no par value | Unlimited | **60,182,711** | 54,175,000 |

The share capital is shown in the consolidated Statement of Financial Position net of issue costs of €2,453,448. Included in share issue costs is €78,957, being the fair value at the reporting date of options in respect of 500,000 ordinary shares granted to the Placing Agents for the Ordinary shares issued. (See note 21 below). In November 2010 the Company raised nearly €1 million, net of costs of €56,752, from the issue of 6,007,711 new Ordinary shares at a price of 15p per share.

## 20 Net asset value per share

The calculation of basic net asset value per share as at 31 December 2010 is based on net assets of €38,678,216 (2009: €40,934,991), divided by the 60,182,711 (2009: 54,175,000) ordinary shares in issue at that date. The calculation of diluted net asset value per share is based on the above figures plus €Nil (2009: €500,000), being the exercise price of the options, divided by 60,182,711 (2009: 54,675,000) shares that would be in issue post the exercise of the options. At 31 December 2010 the number of shares used to calculate the basic and diluted net assets per share is the same because the options which might have created the dilutive effect were not exercised before their expiry date on 19 January 2011.

## 21 Share-based payments

The Company has granted an option to each of its placing agents, Arbuthnot Securities Ltd and Cantor Fitzgerald Europe, in respect of the share issue at Listing in January 2007, to subscribe for up to 250,000 ordinary shares each at a price of €1 each at any time between the first and fourth anniversaries of the admission for listing of the Company's shares on the AIM market on 29 January 2007.

The share options have been valued at €78,957 at the listing date, using the Black and Scholes valuation method and have been recognised in the cost of equity. No options have been exercised during the year. These options all expired on 29 January 2011 at which time none of them had been exercised.

## 22 Non-controlling interest

The non-controlling interest is all attributable to the 20.83% non-controlling shareholding in Grand Harbour Marina plc.

## 23 Commitments and contingencies

**Operating lease commitments – Group as lessee**
The Group has entered into the equivalents of commercial leases in respect of certain of the properties it occupies.

By virtue of a deed of sub-emphyteusis, Grand Harbour Marina plc, a 79% subsidiary, was assigned the right to develop, construct and install, own, operate, manage, control and promote a marina and ancillary facilities, including the right to grant mooring and berthing rights to third parties under such terms and conditions as it deems fit. Under the terms of a Development and Operations Agreement dated 30 June 2000 entered into with the consortium (the other party to the agreement), Grand Harbour Marina plc is required to pay the consortium a yearly fee equivalent to 10% per annum of revenue, subject to minimum and maximum limits.

## 23 Commitments and contingencies – continued

Grand Harbour Marina plc has the option to terminate the Development and Operations Agreement during the 29th year from the date of the publication of the deed of sub-emphyteusis by giving the consortium at least 12 months prior written notice. The minimum future rental payments under the lease amount to approximately €5.8 million (2009: €6.0 million) and the maximum to approximately €14.6 million (2009: €15.0 million) as analysed in the table below:

| Period | Minimum (€ millions) | Maximum (€ millions) |
|---|---|---|
| Within 1 year | 0.1 | 0.4 |
| More than 1 and less than 5 | 1.0 | 2.4 |
| More than 5 | 4.7 | 11.8 |
| Total | 5.8 | 14.6 |

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

The lease of Cesme Marina in Turkey is held by IC Cesme Marina Yatirim Turizm ve Isletmeleri Sirketi, a company in which the Group has a 45% interest. The lease is non-cancellable and expires in 2033. The initial annual rent payable is approximately €1m which is index linked in future years in accordance with the BOT contract.

The lease of the water area of Port Louis Marina in Grenada is held by Camper & Nicholsons Grenada Ltd, a 100% subsidiary. The lease is non-cancellable and expires in 2106 with an option to extend for a further 99 years subject to negotiation on expiry of the initial term. The rent payable is based on the total square footage brought into use. Not all the available area has yet been brought into use and may not be during 2011. The future rental payments analysed below assume that the whole area is brought into use:

| Period | Rental payments (€ millions) |
|---|---|
| Within 1 year | – |
| More than 1 and less than 5 | 0.1 |
| More than 5 | 1.7 |
| Total | 1.8 |

**Finance lease commitments – Group as lessor**
The Group has granted a number of licences ranging in duration from 25 to 30 years in respect of berths at Grand Harbour Marina. The licence fees payable for the berth are accounted for in the year of sale and consequently there is no future licence fee income. Licensees are required to pay annual service charges to defray the costs of maintenance of the berths. Because all amounts receivable under long term licenses are collected at the outset of the contract, the Group's gross and net investment in finance leases is zero.

**Finance lease and hire purchase commitments**
At the reporting date the Group has no commitments as lessee under finance leases.

**Capital commitments**
At 31 December 2010, the Group had contracted capital commitments of €Nil (2009: €5.1 million) in respect of the marina works at Grand Harbour Marina, Port Louis Marina and Cesme Marina.

**Contingent liabilities**
The Company had no contingencies at 31 December 2010 (2009: Nil) but the Group had the following:

*Litigation and claims*
At 31 December 2010, a subsidiary was party to claims amounting to €160,084 (2009: €160,084) for contract works carried out by third parties.

While liability is not admitted, if defence against these actions is unsuccessful, the disclosed amounts could become due. The directors do not expect the Company to be found liable and no provision has been made for these claims in the consolidated financial statements.

During the year ended 31 December 2008, a subsidiary paid over the VAT received on the sale of three berths under protest, pending the outcome of a dispute with the Commissioner of VAT as to whether such sales are subject to VAT. Although the case continued to be heard in 2010, there is currently no reliable data to provide any indication of the probable outcome of this dispute, which remains unresolved at the date of the approval of these financial statements.

## 23 Commitments and contingencies – continued

*Guarantees*
The Parent Company has provided an unlimited guarantee supported by a US$ Nil cash deposit (2009: US$2.8 million) in favour of The Bank of Nova Scotia in support of a loan facility provided to Camper & Nicholsons Grenada Limited.

At the reporting date the Parent Company had deposited €100,000 with HSBC Bank plc in support of a bid bond provided by the bank in connection with a tender for a marina concession. Since the reporting date the bid bond has been released.

The Parent Company acts as a guarantor and sponsor of IC Cesme Marina's repayment obligations under the Term Facility and the General Cash and Non – Cash Credit Agreement (the "Subordinated Loan") to the extent of 45% of any non-payment (being reflective of its shareholding % in IC Cesme Marina). The Parent Company's liability at 31 December 2010 was €6,130,985. (2009: €1,579,875)

Grand Harbour Marina plc, a subsidiary, has provided guarantees in respect of one performance bond and one bid bond amounting in total to €134,941 (2009: €34,941).

Camper & Nicholsons Grenada Services Limited, a subsidiary, has provided an unlimited guarantee in favour of The Bank of Nova Scotia in support of a loan facility provided to Camper & Nicholsons Grenada Limited.

*Trade Mark Licence*
The Company has an exclusive, perpetual, global licence to use the Camper & Nicholsons brand and related trademarks in connection with marinas and marina related services and is liable to pay a royalty of, generally, 1.5% of the marina related turnover of entities licensed to use the brand and of 1.5% of fees earned from marina related consultancy services provided to third party clients, subject to a minimum annual payment of €125,000 (base year 2009) rising annually in line with RPI.

## 24 Related party transactions

**24.1 Transactions with key management personnel**
Information on Directors' Emoluments, the key terms of their contracts and their interests in the shares of the Company is given in the Directors' Report.

**24.2 Loan from Maris Marine Limited**
As at 31 December 2010, the Company had a loan of €1,502,000 from Maris Marine Limited, a company in which Nicholas Maris has a significant equity interest. The terms of the loan were amended during the year such that the final repayment is now due in June 2013 instead of June 2012. The loan is repayable by instalments with €200,000 on 30 June 2011 and monthly instalments of €54,250 thereafter. The Company may, in its discretion, accelerate any or all of the repayments (in whole or in part). The loan is subject to immediate repayment in the event of a sale or on a change of control of the Company. Interest is payable semi-annually on the loan at the rate of 5.5 per cent above Euribor. The loan is secured by a charge in favour of the lender over the shares that the Company or its subsidiary owns in Camper & Nicholsons Marinas International Limited.

**24.3 Accounting services provided to Maris Marine Limited**
Maris Marine Limited, a company of which Nicholas Maris is the controlling shareholder, has been charged £13,800 (2009: £13,800) for accounting services provided by an employee of Camper & Nicholsons Marinas Limited. At 31 December 2010 £1,351 (2009: £1,322) was due to Camper & Nicholsons Marinas Limited and is included in trade debtors.

**24.4 Marina database**
Camper & Nicholsons Marinas International Limited has incurred costs of €48,655 (2009: €37,020) with Maris Technologies Limited, a subsidiary of Maris Marine Limited, for the development and use of a database. At 31 December 2010 €14,730 (2009: €3,085) was due to Maris Technologies Limited and is included within trade creditors.

**24.5 Trade Mark Licence**
The royalties due under the Trade Mark licence referred to in Note 23 are payable to Camper & Nicholsons (Designs) Limited. Nicholas Maris is a director of Camper & Nicholsons (Designs) Limited, and a potential beneficiary of the Maris Settlement, a trust which ultimately controls Camper & Nicholsons (Designs) Limited. During the year, the Company paid royalties and other related fees of €144,613 (2009: €134,003) and there was €32,699 outstanding at 31 December 2010 (2009: €Nil).

**24.6 Administration and support services provided by CL Partners**
During the year, CL Partners, of which Sir Christopher Lewinton is a partner, provided administration and support services to Camper & Nicholsons Marinas Limited for which it charged £14,000 (2009: £56,000). At 31 December 2010 £4,112 (2009: £8,050) was due to CL Partners and is included within trade creditors.

## 25 Financial risk management objectives and policies

The Group holds cash and liquid resources, bank and other loans as well as debtors and creditors arising from its operations.

The main risks arising from the Group's financial instruments and its fixed assets are market price risk, credit risk, liquidity risk, interest rate risk and exchange rate risk. The directors regularly review and agree policies for managing these risks and these are summarised as follows:

**Market price risk**
The Group's exposure to market price risk relates mainly to changes in the value of its 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 Group's marinas may be affected by general economic conditions, including changes in interest rates and inflation, by conditions and pricing within the markets in which the Group operates. It may also be affected by changes in the political and economic climate in the countries or regions within which the Group's assets are situated.

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 biannual valuations carried out by CB Richard Ellis.

**Credit risk**
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. The nature of the Group's business is such that the amount of credit extended to individual customers is small and there are no significant concentrations of credit risk within the Group.

**Liquidity risk**
Liquidity risk is the risk the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. Investments in marinas and marina related real estate are relatively illiquid.

However, the Group has tried to mitigate the risk by limiting the size of the investment in any single property and investing in desirable locations.

Management monitor the Group's cash flow requirements on a weekly basis to ensure there is sufficient cash on demand to meet capital expenditure commitments and expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of circumstances that cannot reasonably be predicted.

**Interest rate risk**
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash deposits and to its bank and other borrowings. In respect of cash balances, the Group's strategy is to maximise the amount of cash held on interest bearing accounts and to ensure that those accounts attract a competitive interest rate.

The Group may be exposed to the risk of interest rate fluctuations as borrowings may be obtained on either floating or fixed interest rate terms. It is the Group's policy not to hedge against interest rate risks.

Increases in interest rates may increase the costs of the Group's borrowings, in particular on floating interest rate loans and may have an adverse effect on the Group.

**Exchange rate risk**
The Group makes investments in currencies other than Euros, the base currency of the Parent Company. The Parent Company's net asset value is reported in Euros. Changes in the rates of exchange may have an effect on the value, price or income of such investments. A change in foreign currency exchange rates may impact returns on the Group's non-Euro denominated investments. The Group intends to incur borrowings of up to 100% of the Company's net asset value and, where possible, it will mitigate the exchange rate risk by matching the investment and borrowing currencies.

## 26 Financial instruments

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

| | Carrying amount | |
|---|---|---|
| | **31 December 2010** € | 31 December 2009 € |
| Trade receivables | **1,370,916** | 289,050 |
| Other receivables | **645,292** | 790,892 |
| Cash pledge | **1,983,000** | – |
| Cash and cash equivalents | **10,759,421** | 10,314,872 |
| | **14,758,629** | 11,394,814 |

Cash and cash equivalents represents funds deposited with several major Banks, the most significant being; Barclays, Bank of Valletta, HSBC and Scotia Bank.

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

| | Carrying amount | |
|---|---|---|
| | **31 December 2010** € | 31 December 2009 € |
| Individual | **119,902** | 67,108 |
| Legal entities | **1,424,301** | 295,044 |
| Agents | **75,359** | 66,553 |
| | **1,619,562** | 428,705 |
| Amounts provided for | **(248,646)** | (139,655) |
| Carrying amount | **1,370,916** | 289,050 |

Information relating to the ageing of receivables at the reporting date and associated impairment is provided in note 13.

**26.2 Liquidity risk**
The following are the contractual maturities of financial liabilities, including estimated interest payments:

| **Financial liabilities** | Carrying amount € | Contractual cash flows € | 6 months or less € | 6 – 12 months € | 1 – 2 years € | 3 – 5 years € | 6-10 years € |
|---|---|---|---|---|---|---|---|
| **31 December 2009** | | | | | | | |
| HSBC bank loan | 3,780,369 | (4,416,703) | (350,000) | (350,000) | (700,000) | (3,016,703) | – |
| Scotia Bank loan | 10,582,650 | (11,447,524) | (432,115) | (685,982) | (1,311,832) | (9,017,595) | – |
| Isbank loan | 1,579,875 | (1,694,817) | – | (1,694,817) | – | – | – |
| Bank overdraft | 82,861 | (82,861) | (82,861) | – | – | – | – |
| Loan due to related party | 1,502,000 | (1,616,790) | (28,688) | (28,688) | (1,047,826) | (511,588) | – |
| Accounts payable | 323,263 | (323,263) | (323,263) | – | – | – | – |
| Retentions and deferred consideration | 1,119,644 | (1,119,644) | – | – | (1,119,644) | – | – |
| | 18,970,662 | (20,701,602) | (1,216,927) | (2,759,487) | (4,179,302) | (12,545,886) | – |
| **31 December 2010** | | | | | | | |
| Scotia Bank loan | **10,900,587** | **(12,278,214)** | **(426,964)** | **(422,842)** | **(1,091,926)** | **(10,336,482)** | **–** |
| Isbank term loan | **4,162,224** | **(4,930,046)** | **–** | **(385,900)** | **(377,600)** | **(1,780,066)** | **(2,386,480)** |
| Isbank subordinated loan | **1,968,761** | **(2,331,944)** | **–** | **(182,532)** | **(178,608)** | **(841,982)** | **(1,128,822)** |
| 7% Bond Issue | **11,586,647** | **(19,980,000)** | **(420,000)** | **(420,000)** | **(840,000)** | **(2,520,000)** | **(15,780,000)** |
| Bank overdraft | **92,251** | **(92,251)** | **(92,251)** | **–** | **–** | **–** | **–** |
| Loan due to related party | **1,502,000** | **(1,651,846)** | **(247,313)** | **(366,513)** | **(702,267)** | **(335,753)** | **–** |
| Accounts payable | **782,525** | **(782,525)** | **(782,525)** | **–** | **–** | **–** | **–** |
| Retentions and deferred consideration | **1,210,913** | **(1,329,815)** | **(29,726)** | **(48,834)** | **(1,251,255)** | **–** | **–** |
| | **32,205,908** | **(43,376,641)** | **(1,998,779)** | **(1,826,621)** | **(4,441,656)** | **(15,814,283)** | **(19,295,302)** |

## 26 Financial instruments – continued

As detailed in Note 17 part of the Scotia Bank loan at 31 December 2010 was subject to a floating interest rate based on Libor and part is at a fixed rate. The Isbank loan is subject to a floating interest rate based on Euribor. The loan due to the related party is also a floating rate loan based on Euribor.

The Isbank loans to Cesme are guaranteed by shareholders and referred to in Note 23.

**26.3 Exposure to interest rate risk**

The Group is subject to changes in base interest rates as may be announced by the European Central Bank from time to time and to changes in the market rates for LIBOR. Based on the gross value of loans outstanding as at 31 December 2010 that are subject to variable interest rates, an increase of 100 bps (2009:100bps) would reduce profit before tax by €110k (2009:€175k). Similarly a reduction of 100bps (2009: 100bps) on all of the Group's borrowings subject to variable interest rates would increase profit before tax by €110k (2009: €175k).

**26.4 Exposure to currency risk**

The Company's exposure to foreign currency risk at 31 December was as follows, based on notional amounts:

| €000 based on year end exchange rates | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **Cash at bank** | | |
| GB Pounds | **312** | 62 |
| US Dollars | **542** | 2,080 |
| EC Dollars | **229** | 715 |
| Turkish Lira | **10** | 1,183 |
| **Trade receivables** | | |
| GB Pounds | **2** | 5 |
| US Dollars | **635** | – |
| EC Dollars | **82** | 23 |
| Turkish Lira | **55** | – |
| **Borrowings** | | |
| US Dollars | **10,901** | 10,583 |

**Exchange Rate to Euro Table**

The following significant exchange rates versus the Euro applied during the year:

| | Average rate | | Year end rate | |
|---|---|---|---|---|
| Currency | 2010 | 2009 | 2010 | 2009 |
| GB Pounds | **1.1657** | 1.1224 | **1.1617** | 1.1270 |
| US Dollars | **0.7543** | 0.7170 | **0.7484** | 0.6942 |
| EC Dollars | **0.2847** | 0.2735 | **0.2826** | 0.2613 |
| Turkish Lira | **0.5009** | 0.4636 | **0.4880** | 0.4621 |

**Sensitivity analysis**

A 10 percent strengthening of the Euro against the year end rate for the following currencies at 31 December would have increased/(decreased) equity by the amounts shown whilst a 10 per cent strengthening of the average Euro rate during the year would have increased/(decreased) profit or loss by the amounts shown. This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2009.

## 26 Financial instruments – continued

| | 31 December 2010 | | 31 December 2009 | |
|---|---|---|---|---|
| €000 | **Equity** | **Profit or loss** | Equity | Profit or loss |
| GB Pounds | **(15)** | **212** | (207) | 199 |
| US Dollars | **(2,196)** | **159** | (1,967) | 256 |
| Turkish Lira | **(655)** | **58** | (105) | 21 |

A 10 percent weakening of the Euro against the year-end rates and average rates would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**26.5 Fair values**
At the reporting date the carrying amount of financial assets and financial liabilities approximated their fair values.

## 27 Substantial shareholdings

As at 25 February 2011 the Directors had been notified, or were aware, of the following holdings representing more than 3 per cent of the Company's issued share capital:

| | % held |
|---|---|
| Deutsche Bank AG | 13.75% |
| Nicholas Maris | 13.32% |
| F&C Asset Management plc | 10.98% |
| Henderson Global Investors Ltd | 8.47% |
| Universities Superannuation Scheme | 7.48% |
| Moore Europe Capital Management LLP | 6.90% |
| UBS Global Asset Management (UK) | 6.67% |
| Overseas Asset Management (Cayman) Ltd | 5.07% |
| Sir Christopher Lewinton | 3.99% |
| Aerion Fund Management Ltd | 3.67% |

Included in the holding for Nicholas Maris are 3,246,625 shares (5.39%) held by the Maris Settlement, a discretionary trust of which Nicholas Maris is a potential beneficiary.

## 28 Post balance sheet events

Since the reporting date, the Company and its principal subsidiary, Grand Harbour Marina plc ("GHM") have entered into an agreement under which the Company will sell and GHM will acquire the Company's 45% beneficial equity investment in IC Cesme Marina Yatirim Turizm ve Isletmeleri Sirketi ("IC Cesme") for a consideration of €1.9 million. The transfer of beneficial ownership is expected to take place during March 2011. The transfer of legal ownership is subject to the approval of the competent authorities in Turkey and the bank financing IC Cesme. As part of the arrangements, GHM will assume responsibility to the Company for the cash pledge deposited with Isbank to support the subordinated loan advanced to IC Cesme. At the reporting date the Company's share of the cash pledge was €1,983,000 and that had increased to €2,478,000 at 15 March 2011, the date on which these financial statements were approved by the Directors.

The price at which the investment in IC Cesme is being sold was derived from an independent valuation completed by CBRE in November 2010 and which remained unchanged as at the reporting date.

Trevor Ash, being the only director of the Company not also on the Board of GHM and therefore not a related party (as defined in the AIM Rules For Companies), considers, having consulted with the Company's nominated adviser, Collins Stewart Europe Limited, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

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