

NEW BOND ISSUE

Grand Harbour Marina p.l.c. 7% 2017 – 2020 Eur (€)

KEY FACTS

Issuer	Grand Harbour Marina p.l.c. (GHM)
Issue Price	€100 per EUR Bond, i.e. issued at par
Coupon	7.0 % p.a
Interest due date	25 th Feb and 25 th Aug between and including each of the years 2010 to 2020
Redemption Date	any day falling between 25 Feb 2017 and 25 Feb 2020
Redemption Value	€100 for each EUR Bond;
Issue Size	€10,000,000 and subject to an over-allotment option of a further €2,000,000
Underwriting	This issue is not being underwritten
Status of the Bonds and Security	The Bonds constitute the general, direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank pari passu, without any priority or preference among themselves and other present unsecured obligations of the Issuer.
Negative Pledge	The Issuer undertakes not to create any security interest upon the whole or any part of its present or future assets or revenue, other than a permitted security interest. The Issuer will also build a reserve starting from the beginning of the 2012 financial year until redemption date, amounting to 50% of the outstanding bonds.
Min. Application	Min. of €2,000 for the public offer or €10,000 for pre-placement (increasing in multiples of €100)
Pre-placement Date	Monday 8 February , 2010
Opening Date	Thursday 11 February 2010
Closing Date	Monday 15 February 2010 (or such earlier date as may be determined by the Issuer in the event of over-subscription)
Withholding Tax	Applicable at 15%.
Stockbroking Fees	None (as is the case with all new issues)
Preferred Applicants	Grand Harbour Marina Berth holders and Shareholders will be given preference over the general public to subscribe for the Bonds as "preferred applicants" (Cut-off date 25 th January 2010). Amount reserved for Preferred Applicants totals €1 million. Minimum application: €2,000 per preferred applicant.

Introduction

Grand Harbour Marina Plc (GHM) shall be issuing a bond which will pay interest on a **semi-annual** basis at the rate of **7.0 % p.a.** maturing any date between **2017** and **2020**.

Purpose of the Issue

The net proceeds from the issue of the Bonds will primarily be used by the Issuer to prepay its current loan facility of €3.8 million with HSBC Bank Malta p.l.c. Furthermore, the remaining proceeds will be deployed for potential further waterside and landside investments within the Marina itself and within Malta. The Issuer also indicated a possibility to co-invest with Camper & Nicholsons in existing and new investment marinas outside of Malta with a focus on the Mediterranean.

Investment Risk considerations

(Do note that this list is not exhaustive. Please refer to the relevant Prospectus for further details of such and other risks)

- The Issuer is subject to risks which are common to the marina industry and to the economy in general (even on a global scale) certain of which are beyond its control, including political, social, and economic negative changes.
- Extreme volatility in global business activity, exchange rate fluctuations, and overall global uncertainty may have a materially adverse effect on the Issuer's performance. This has – and continues to be very tangible since the onset of the global credit crises in mid-2007.
- Lack of liquidity on the local exchange could impact on prices, particularly if a seller intends disposing of his bond earlier than maturity.
- Given that the Bonds are unsecured, bondholders will have to compete with other creditors having the same ranking for any assets, should the Issuer lack enough assets to pay all its debts. Bondholders therefore are not provided with a preference over other creditors of the Issuer.

Summary

We have noted over past years that this company's performance is highly volatile. Income spikes occur in years when Super-yacht leases are sold. If one were to compare the performance of the years ended 31st December 2008 and 2007 it would be noted that Revenue fell from €11.1M in 2007 to €2.5M in 2008. Unlike 2007, in 2008 the company failed to sell any super-yacht berth leases and thus registered a loss before tax of €399,000 (2007 profit before tax of €6.5M). Once again, for the first six months of 2009 (these being the latest results received from the company), revenue has fallen to €926,000 (€1,080,000 for comparative period in 2008) and a loss before tax of €259,000. It is of concern that at near to full capacity, this Marina presently runs at a loss and is so highly dependent on the sale of Super-yacht leases. The annual cost of this bond issue shall amount to between €700,000 and €840,000. For this reason it is of utmost importance that the net bond proceeds are profitably employed at the earliest possible opportunity. We understand that the demand for berths is forever rising and the high capacity at which GHM operates is proof of this. It is comforting to note that GHM's tariffs are towards the lower end when compared with 15 other marinas in the Med and thus allows potential for further income growth. Notwithstanding such considerations, the present industry dynamics indicate scope for further expansion. According to the company, its financial projections were stress-tested for several eventualities. The Issuer is confident that the present available cash, together with possible future returns from the bond proceeds and general business would provide an ample safety-net should difficult economic circumstances prevail. Furthermore the coupon being offered is higher than most local and foreign bonds and seems adequate when considering the current risks attached to the Issuer and its expected future returns. For these reasons we recommend that clients interested in investing into this bond issue refer to the Prospectus dated 25 January 2010 before deciding on the size of their application which may be obtained from our office in hard form or electronically by e-mail on request.

Application Procedures

Those interested in applying to this issue are kindly asked to complete the application form enclosed and return preferably by **Monday 22nd September** in the self addressed envelope together with a cheque made payable to **JMFS Ltd**. Further application forms may be obtained from our offices. We will be pleased to answer any queries you may have on this issue and assist in the completion of all the necessary forms.

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