12 March 2007

Dolphin Capital Investors Limited (DCI.L)

Results for the period ended 31 December 2006

Dolphin Capital Investors ("Dolphin" or the "Company"), the leading investor in the residential resort sector in south-east Europe, announces its maiden results for the period ended 31 December 2006.

Highlights

- The Company was admitted to AIM in December 2005 as the first investment fund dedicated to residential resorts in the south-east Mediterranean at a price of 68p (€1.00) per share raising €104 million. In October 2006, Dolphin successfully completed a follow-on offering, raising an additional €300 million at a price of 93p (€1.38) per share

- In the 12 months to 31 December 2006, the Company executed seven investments, committing a total of €201 million. The Company's net share of these developments (before deferred income tax liabilities) based on the €102 million invested, represents a value of €260 million

- As of 31 December 2006, and after taking into account the net proceeds of the secondary fundraising at 93p, the Net Asset Value ("NAV") per share of the Company before and after deferred income tax liabilities is 110p (€1.63) and 101p (€1.50) respectively (69% and 55% annual increase over the Company's reported NAV per share of 65p at admission)

- The end of year NAV per share before deferred income tax liabilities and after adjusting for non-invested cash is 137p (€2.04), corresponding to an uplift of over 100%

- An additional amount of €71 million was committed to an existing and to two new projects in January and February 2007, resulting in total capital commitments of €272 million to nine projects, with approximately 16 million m^2 of land under ownership/contract

Andreas N Papageorghiou, Chairman, commented:

"The Annual Results coupled with the quality of the Dolphin projects reflect an outstanding year and demonstrate the Investment Manager's ability to create extraordinary value for its shareholders."

Miltos Kambourides, founder and Managing Partner of Dolphin Capital Partners, commented:

"With total capital commitments of over €270 million to nine projects in Greece, Cyprus and Croatia as of the end of February 2007, Dolphin has become the regional leader in the residential resort sector in south-east Europe."

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Dolphin Capital Investors Limited ("Dolphin" or "the Company") is the leading investor in the residential resort sector in south-east Europe and one of the largest real estate investment companies listed on AIM.

Dolphin seeks to generate strong capital growth for its shareholders by acquiring large sea-front sites of striking natural beauty and establishing sophisticated leisure-integrated residential resorts.

Dolphin targets Greece and other countries in the eastern Mediterranean region, a market severely lacking high-quality holiday and retirement home products.

Dolphin has established a strong record of fast-paced investment activity and is partnering with some of the world's finest designers and operators.

Dolphin is managed by Dolphin Capital Partners ("DCP" or "the Investment Manager"), an independent private equity management firm that specialises in real estate investments in south-east Europe.

Milestones

- **Summer 2005** – Dolphin is formed and funded with €5 million of seed capital
- **8 December 2005** – Dolphin completes its admission to trading on AIM ("Admission"), raising €104 million via a placing with institutional investors. The issue price at admission is 68p
- **23 January 2006** – Dolphin commits €23 million to Kilada Hills Golf Resort in Argolida, one of the first golf-integrated residential resorts to be developed in Greece
- **11 April 2006** – Dolphin commits €9.6 million to Scorpio Bay Resort, a master-planned leisure-integrated residential resort near Athens and an additional amount of €22 million for the expansion of Kilada Hills Golf Resort
- **19 May 2006** – Dolphin commits €17.4 million to Apollo Heights Polo Resort, the Company's first investment in Cyprus
- **30 June 2006** – Dolphin's NAV per share stated before deferred income tax liabilities and after founding shareholder warrants is reported at 107p (93p after both deferred income tax liabilities and founding shareholder warrants)
- **19 July 2006** – Dolphin commits €5 million to Amanmila Resort in Milos, Greece, most likely the first villa-integrated Aman resort to be developed in Europe
- **31 July 2006** – Dolphin commits €15.5 million to Lavender Bay Golf Resort, a golf-integrated residential resort to be developed in Thessalia, Greece
- **30 September 2006** – Dolphin's Net Asset Value ("NAV") per share stated before deferred income tax liabilities (excluding the secondary fundraising of October 2006) is reported at 122p (103p after deferred income tax liabilities)
- **4 October 2006** – Dolphin places 217,959,896 new common shares at 93p per share and raises an additional €300 million, becoming one of the largest AIM-traded real estate investment funds
- **13 November 2006** – Dolphin commits an additional €30.5 million and €20 million to Lavender Bay Golf Resort and Kilada Hills Golf Resort respectively and through a €4 million minority buy-out takes 100% control of Apollo Heights Polo Resort
- **20 December 2006** – Dolphin commits €24 million to Sitia Bay Golf Resort, a seafront golf-integrated residential resort to be developed in the region of Sitia on the island of Crete, Greece
- **28 December 2006** – Dolphin commits €30 million to Seascape Hills Resort in Argolida, Greece, an exclusive villa community including an Aman Resort, only a 10-minute drive from Kilada Hills Golf Resort
- **31 December 2006** – After taking into account the net proceeds of the secondary fundraising at 93p, Dolphin's NAV per share stated before deferred income tax liabilities is reported at 110p (101p after deferred income tax liabilities), recording a 69% (55%) annual uplift over the Company's reported NAV per share of 65p at Admission
- **As of 31 December 2006** – Dolphin has committed €201 million to seven projects, of which €102 million has already been invested. After adjusting for non-invested cash of €293 million, the NAV per share before deferred income tax liabilities is 137p
- **5 February 2007** – Dolphin commits €35 million to Livka Bay Resort, the Company's first investment in Croatia representing the development of an exclusive residential resort on the island of Solta, only 20 km from Split International Airport
- **14 February 2007** – Dolphin launches Rebranded Hotels, a platform set up to redevelop old hotel properties into hip condo hotels in strategic areas of Greece, by acquiring 80% of a 163-room hotel property in Porto Heli for €3 million, the first in a series of identified acquisitions that are expected to absorb €30 million of capital

- **22 February 2007** – Dolphin assumes 100% control of Scorpio Bay Resort in a €6.5 million buy-out of its 49% partner

- **As of 28 February 2007** – Dolphin has committed €272 million (€123 million already invested) to nine projects with approximately 16 million m^2 of land under ownership/contract. The remaining uncommitted funds of €127 million from the net €399 million equity raised are expected to be committed before the end of 2007

Chairman's Statement

It gives me great pleasure to present the first annual results of Dolphin Capital Investors Limited.

Dolphin demonstrated an impressive performance during its first full year of operation. Over the past 12 months, the Company has grown to become one of the largest real estate funds on AIM and a premier force within the residential resort sector in south-east Europe.

Dolphin's total commitments as of 31 December 2006 amounted to €201 million in seven projects, namely Kilada Hills Golf Resort, Scorpio Bay Resort, Apollo Heights Polo Resort, Amanmila Resort, Lavender Bay Golf Resort, Sitia Bay Golf Resort and Seascape Hills Resort. With an additional €71 million committed both to an existing and to two new projects during the first two months of 2007, total commitments reached €272 million to nine projects as of the end of February 2007, leaving uncommitted funds of €127 million from the net €399 million capital raised.

The end of year NAV per share is 110p (€1.63) and 101p (€1.50) before and after deferred income tax liabilities, implying a 69% and 55% annual increase over the Company's reported NAV per share of 65p at Admission respectively. The reported NAV per share figures do not truly reflect the Company's actual pace of growth due to the timing of the secondary fundraising of €300 million at 93p in October 2006. As of 31 December 2006, the €102 million invested created a total NAV before deferred income tax liabilities of €260 million, implying a NAV per share before deferred income tax liabilities and non-invested cash of 137p (€2.04), corresponding to an uplift of over 100%.

The above results coupled with the quality of the Dolphin projects reflect an outstanding year and demonstrate the Investment Manager's ability to create extraordinary value for its shareholders and maintain a leadership position within the residential resort sector. The Company's strategy is further supported by continuing favourable macro and demographic trends, compelling supply/demand dynamics and increasing regional governmental support for up-market residential resorts.

With an exciting investment pipeline at an already advanced negotiation stage, I am confident that the team at Dolphin Capital Partners will continue the high level of investment activity and success rate during 2007, while in parallel progressing the permitting and branding process of the existing projects, seeking to create significant value for shareholders.

Andreas N Papageorghiou
Chairman
Dolphin Capital Investors Ltd

Investment Manager's Report

Overview

Dolphin Capital Investors, managed by Dolphin Capital Partners, is the first and currently the only LSE-listed investment company exclusively targeting residential resort developments in south-east Europe. The Company's investment model focuses on acquiring land sites of striking natural beauty and establishing premium branded residential resorts, strategically targeting holiday and retirement home buyers from northern Europe, Russia and the Middle East and, more opportunistically, wealthy local buyers. Underpinned by limited competition and strong supply/demand fundamentals in a region with high barriers to entry, Dolphin's investment strategy is to generate strong capital growth to its shareholders.

2006 was a highly productive year, marked in part by Dolphin's successful return to the public markets in October 2006, during which an additional amount of €300 million was raised from a list of prominent institutional investors. Approximately half of the additional capital raised was committed in the first five months thereafter, demonstrating a strong pace of investment.

With a total commitment of over €270 million to nine projects in Greece, Cyprus and Croatia as of the end of February 2007, we believe Dolphin is the regional leader in the residential resort sector in south-east Europe. The remaining uncommitted funds of €127 million are on course to be committed before the end of 2007.

Every single investment to date has proven to be accretive to the Company's NAV. After taking into account the net proceeds of the secondary fundraising at 93p, the Company has achieved an annual growth in reported NAV of 69% (before deferred income tax liabilities) and has seen its share price rise by 92% in the first 14 months post Admission.

The Investment Manager's team has also grown both in number and experience. More than 10 additional individuals have joined us on a full time basis since Admission resulting in a multi-talented and dynamic group of highly motivated professionals. Notable recruits include Panos Katsavos, Dolphin's Finance Director, Spyros Tzoannos, Asset Management Director, and George Koutsopodiotis, Investment Director. With new offices both in Athens and Cyprus, the Investment Manager will continue to expand and strengthen its resources throughout 2007.

DCP's active presence and extended contacts in the local markets generate a constant stream of privately negotiated opportunities. DCP's international relationships with some of the world's most renowned designers, operators and marketers further enhance Dolphin's competitive advantage and help create well-conceived, premier-branded residential resort products.

There are many accomplishments that can be credited to the Company's record over 2006. One measure of performance that stands out though, is the value created by the Company's invested funds. The €102 million invested as of 31 December 2006 resulted in a net asset value of €260 million, creating a 2.5 times growth multiple. We expect this trend to continue throughout 2007, as more non-invested funds are invested and the permitting and branding process of the Company's projects is progressed.

Sector Dynamics

Dolphin's investment proposition continues to be supported by benign global economic, social and demographic fundamentals. The surge in foreign property ownership continues along a sustained development path, amidst rising individual prosperity, monetary stability, excess savings, growing population and increasing awareness of high quality, leisure-integrated, environmentally-friendly residential communities.

Recent research shows that demand for a place in the sun in the UK market, perhaps the best known for its long-established tradition of holiday home ownership, has trebled in the past decade with over 3% of British households owning a second overseas residence, a figure forecast to increase to 10% over the next 20 years [1].

Another important factor driving Dolphin's vision relates to the increasing pace of growth of the hospitality and tourism industry, now commanding an impressive 15% of the world economy [2], and the global emergence and success of quality integrated residential resort communities in attractive natural surroundings.

The Investment Manager believes that the mix of accommodation and amenities that these resorts provide strikes a chord with its targeted pool of buyers: hard-working middle-aged professionals looking for hip and trouble-free holiday home ownership, internationally minded retirees longing for a quality shift in their lives and the fast emerging breed of affluent individuals in their quest for exclusive private getaways.

Smartly-conceived, premium-branded and well-marketed, master-planned coastal residential communities in other emerging parts of the world have already witnessed tremendous success, achieving sales prices which are at a multiple of the average real estate market. Branded resorts, like all other branded consumer goods today, tend to carry an internationally common price, irrespective of their location. Dolphin's financial assumptions rely on average market pricing without a premium.

The Investment Manager will also consider opportunities for early return realisations. In an environment of falling property investment returns coupled with an abundance of capital, we believe the Dolphin portfolio of projects is expected to emerge as an attractive investment opportunity for real estate institutional investors in search of above market returns.

[1] Source: *"A place in the sun? Trends in ownership of UK foreign property"*, Grant Thornton, November 2006.
[2] Source: *"The European hotel sector: New territory for the property hunters?"*, Eurohypo, January 2007.

Regional Focus

Demand has slowly but decidedly been shifting away from the more established and mature markets to more unspoilt coastal territories such as the Caribbean, central America, south-east Asia and south-east Europe. Dolphin's focus on the latter has come at an opportune time, as the region emerges as a viable alternative to the saturated markets of Spain, Portugal and southern France.

The region's only golf-integrated residential resort that has come to market to date, Aphrodite Hills Resort in Cyprus, has seen its international real estate sales progress at remarkable levels with current selling prices much higher than originally anticipated and at a premium to the average Cypriot real estate market. With the first resorts in Greece and Croatia expected to come to market in 2008, the region is anticipated to enter into a virtuous circle of resort development, infrastructure improvement, direct-flight expansion and image enhancement.

While our primary focus remains on Greece and to a significant extent on Cyprus and Croatia, we are carefully exploring other neighbouring regional markets in south-east Europe such as Turkey, Sicily and Montenegro, always aiming for outstanding coastal sites at low entry land prices.

The regional governments, originally slow to react, have now clearly demonstrated their willingness to support the development of the residential resort sector by amending or drafting new legislation and providing substantial subsidies or tax breaks. These initiatives aim to upgrade the tourism industry, attract foreign direct investment, create jobs and offer sustainable opportunities for growth to non-urban and non-industrial regions.

We believe that Dolphin's role in this mentality shift has been instrumental and we hope that the Dolphin projects are not only profitable for our investors but leave a long lasting economic and social benefit to the regions in which they are developed.

Greece
Greece retains a particularly attractive investment environment for Dolphin. An EU and EMU member since 1981 and 2001 respectively, the country has been leading the European GDP growth rate charts since 1996 with a solid 4.2% GDP growth over 2006. Economic conditions are expected to remain benign and tourist arrivals continue to strengthen at an unprecedented rate, recording a 7% increase over 2005 and topping 16 million for the very first time in 2006. The Greek Ministry of Tourism also recently launched the country's new tourism campaign abroad, with an aggressive €40 million budget that aims to exceed in the current year the all time record in tourist arrivals set over 2006.

The country's vast and pristine coastline (c.16,000 km) is mostly untapped. Greece today has virtually no branded resorts and only five 18-hole golf courses, despite being one of the most visited countries in the world [3]. The market is so severely undersupplied that it ranks top in Dolphin's investment priorities.

In addition to Dolphin's seven projects in Greece, a small number of other residential resorts of significant size have finally begun to make planning progress with the express support of the government, a trend that reflects the policy makers' recent drive to extend the tourist season, reinvigorate visitor numbers and upgrade the tourism industry through the creation of golf resorts with state-of-the-art leisure facilities. Much needed legislative changes are also finally being introduced aiming to reduce bureaucracy roadblocks, provide for increased investment incentives and introduce more investor-friendly development laws. A particularly favourable legislative change, and part of the New Development Law, relates to the provision of grants for as much as 50% of hotel and other leisure product construction costs. This change is expected to enhance Dolphin's investment proposition, substantially reducing the cost of leisure components to which the Company assigns little value in its assessment of potential investments.

[3] Greece ranked 17th in the World's Top Tourism Destinations list 2005 published by the World Tourism Organisation (UNWTO).

Cyprus
Cyprus, a full EU member since 1 May 2004 and expected future member of the EMU in January 2008, offers a liberal climate for investments, whilst being one of the UK's preferred holiday and retirement destinations.

The island hosts more than 2.4 million tourists per year generating revenues of more than €1.7 billion, accounting for 15–20% of the country's GDP. Cyprus is popular due to the year-round warm weather, the British-type legal and administration system that was established while the island was a British colony and the relatively advanced infrastructure.

Golf tourism has been a major investment focus over the past five years, reflecting aggressive plans by the Cyprus Tourist Organisation to capture 5% of the northern European golf market by 2012. Cyprus currently has four commercially operated 18-hole golf courses and hopes to develop an additional seven by 2012, five of which are expected to be fully operational by 2009. The Cypriot property market has also seen sustained demand among buyers from the UK and Russia, with approximately 30,000 new holiday homes built over the past five years, in spite of rising land and home prices.

Dolphin has to date invested in one residential resort in Cyprus, namely Apollo Heights Polo Resort, a 460-hectare site between the cities of Limassol and Paphos. The Investment Manager is reviewing a number of additional investment opportunities in that market.

Croatia
Over the past five years a number of plans for residential developments along the Croatian coast have been heralded, fuelled by the growing popularity of Croatia as a tourist destination. According to the World Trade Organisation, the country is set to experience unprecedented growth rates in the number of foreign tourist arrivals between 2000 and 2020, expected to be as high as 8.4% per annum.

Croatia owes its renewed popularity to a number of factors, including its stunning coastal scenery and driving access from Central Europe. The opening of EU accession negotiations (expected to be completed by 2010) has also marked an acceleration of the interest in the country's property market, as has the implementation of regional planning initiatives along the Croatian coast and increased mortgage availability to foreign investors. Over the past two years, the government has earmarked over €500 million for investment in hotels, holiday resorts and campsites, a move aimed at helping to sustain the recent growth rates in tourism, a sector which accounts for almost 20% of GDP and 23% of total employment.

It should be noted that the large majority of resort development plans in Croatia that have been announced have yet to materialise, set back by coastal tourist zoning approval delays from Zagreb. The Croatian government only recently granted its first zoning approvals, most notably to Dolphin's 90%-owned Livka Bay Resort, the Company's first investment in Croatia located on the island of Solta near Split. The Company intends to further grow its presence in Croatia over 2007.

Current Investments
The Company's investment activity over 2006 has been entirely consistent with the business plan presented in the AIM Admission document published in December 2005, namely investing in early-phase, large-scale residential resorts integrated with one or more leisure components, such as hotel, golf course, country club, spa facility, marina and other sport facilities, located within the targeted region of south-east Europe. Dolphin's primary focus lies on beachfront sites, one of the fastest appreciating assets in the world since the 1960s. Dolphin favours sites which are located in areas that are set to benefit from significant upcoming regional infrastructural developments. Attractive natural settings and accessibility to local and foreign visitors alike also constitute important site selection criteria for the Company.

Dolphin's nine investments as of 28 February 2007 were sourced either by direct land acquisitions or through purchases into existing projects that were in the early conception stages. Over the past 12 months, the Investment Manager has made considerable progress with regards to its existing sites by acquiring additional contiguous land, progressing designs and permits, advancing discussions with and appointing leading operators and by working intensively on all fronts to ensure both the appropriate market positioning and the operational success of the resorts.

Development	Country	Land Site (Hectares)	Current Shareholding	Total Investment	Total Commitment
Kilada Hills	Greece	250	87%	€52.5m	€65.0m
Scorpio Bay	Greece	172	100%	€9.6m	€16.0m
Apollo Heights	Cyprus	460	100%	€16.4m	€21.4m
Amanmila	Greece	200	25%-50%	€0.1m	€5.0m
Lavender Bay	Greece	294	95%	€7.9m	€46.0m
Sitia Bay	Greece	204	75%	€10.6m	€24.0m
Seascape Hills	Greece	57	99%	€17.5m	€30.0m
Livka Bay	Croatia	56	90%	€7.7m	€35.0m
Rebranded Hotels *	Greece	1	100%	€1.2m	€30.0m
Total		1,694		€123m	€272m

Note: All figures reported as of 28 February 2007.
* The €30 million allocation into Rebranded Hotels has been taken in full in the Company's calculation of total commitments as of 28 February 2007.

Kilada Hills Golf Resort

Located in Argolida, one of the most up-market second-home residential areas in Greece and only a two-hour drive from Athens International Airport, Kilada Hills Golf Resort represents Dolphin's most advanced project to date.

The currently 250-hectare site is to be developed as an upscale residential resort comprising more than 450 units on approximately 180 hectares of land integrated with a luxury hotel of c.20,000 m^2, an 18-hole championship golf course, as well as other supporting recreational and sports facilities, including a marina, an equestrian centre, a winery, an olive oil process facility and a small retail complex. The project also includes Kilada Hills Collection, the development of 10 exclusive villas on the seafront part of the site which are currently under construction. To enhance the offering of the resort, the project company acquired Sunset Hotel, a small beachfront property that has the right of use of most of the sandy beach that lies next to the site. The remaining 70 hectares are anticipated to be used as part of the second development phase.

The Company recently increased its total commitment to the project by €20 million to a total of €65 million, out of which €52.5 million has been invested as of 28 February 2007. The additional capital is intended to fund further land acquisitions and infrastructure works.

Over the past 12 months, the project has made significant progress with the permitting process and has already obtained construction permits for the hotel, the golf course and part of the residential development. The permits are now being expanded to cover a larger area than originally anticipated. The revised master-plan and designs are being finalised whilst tender documents for contractors are currently being developed, with awards expected in summer 2007. Construction for the golf course, hotel and leisure facilities is set to begin thereafter.

Progress has also been achieved with the permit process for the project's desalination plant and marina.

The Company has further appointed the following partners, as set out below:

Golf course: Jack Nicklaus, one of the world's most celebrated golf players and golf architects is designing an 18-hole signature championship course which is expected to become one of the best in Greece (www.nicklaus.com).

Master-planning/Architecture/Design: Jean-Michel Gathy, the award-winning architect whose recent work includes the Reethi Rah One & Only Resort in the Maldives, the Setai in Miami and Amanyara in the Turks and Caicos Islands to mention but a few (www.denniston.com.my).

*Resort Operator***:** GHM, probably one of the newest and most hip luxury resort operators in south-east Asia with hotels such as the Setai in Miami, the Datai in Langkawi and the Chedi in Muscat under management, will be operating the hotel and residences (www.ghmhotels.com).

Very sadly, Mark Potiriadis, the person who first conceived Kilada Hills Golf Resort and who, together with his development team, led the project's pre-development process, is no longer with us. Mark, who was Dolphin's 13% partner in the project, passed away unexpectedly in January 2007. Mark's team continues to coordinate the project development and, together with Dolphin, will work with the project's partners to create a unique and truly-integrated world-class resort that will raise the standard in south-east Europe, as Mark had always envisioned.

Scorpio Bay Resort

Spread over a 172-hectare site on a mountainous peninsula in the region of Skorponeri and only a one-hour drive from Athens International Airport, Scorpio Bay represents the development of a master-planned, leisure-integrated residential resort overlooking the island of Evia.

The project will comprise a five-star hotel and residential resort with net total construction estimated at 100,000 buildable m^2, of which 80,000 buildable m^2 will be residential units.

Dolphin initially committed €9.6 million to the project company in return for a 51% stake. More specifically, Dolphin had originally:

- acquired the site for a total cost of €20.5 million and sold 49% of the project company to Egnatia Insurance for €18 million in back-to-back transactions;
- committed €6.4 million for the initial development expenses; and
- entered into a loan agreement to provide Egnatia Insurance with a €6.5 million loan at an 8% interest cost for a maximum period of one year. The loan had been secured against Egnatia Insurance's 49% shareholding in the project.

In early 2007, Egnatia Insurance lost its insurance licence, giving Dolphin the opportunity to foreclose on the loan, acquire Egnatia's 49% stake for €6.5 million and become the project's 100% owner.

The project is going through the first of a series of steps in the permitting process, which is expected to be finalised in 2008. The operator and designer are expected to be appointed in the next few months.

Apollo Heights Polo Resort

Spread over a 460-hectare site between the cities of Paphos and Limassol in Cyprus and accessible in less than an hour from both of the island's international airports, Apollo Heights Polo Resort represents Dolphin's first investment in Cyprus.

The project envisages a multi-phase development concept with the capacity to accommodate more than 200,000 m^2 of residential real estate and is expected to be the region's first polo-integrated residential resort.

The site is adjacent to the existing polo grounds of the Cyprus Polo Association, and within a few hundred metres from a secluded beach and an 18-hole golf course currently used by the British Bases.

Dolphin originally invested €12.4 million and committed €17.4 million for a 69% stake in the project. Thereafter, the Company executed a successful buy-out of the 41% minority stake for €4 million, increasing its total commitment to the project to €21.4 million. The project is currently being master-planned and the permit process has been initiated through a staged programme which, due to the vast size of the site, is expected to span over the next three years.

Amanmila Resort

Spread over a 200-hectare site on the island of Milos, Greece, Amanmila represents a multi-phased development including Europe's probably first villa-integrated Aman Resort (www.amanresorts.com).

The site, an unspoilt peninsula with approximately 5 km of shoreline and its very own natural anchorage, will feature on one-third of its area a 40-room Aman hotel together with 40 Aman villas targeting the highest end of the hotel and real estate markets. The remaining area is master-planned to accommodate other residential and leisure developments.

Dolphin's 50% project partner is S&B Industrial Minerals, Greece's largest mining company, listed on the Athens Stock Exchange. S&B currently owns half of the peninsula while the other half has been pre-contracted from local sellers but has not yet been transferred to the project company pending certain government approvals. Aman Resorts and John Heah, an award winning architect charged with the design of the project, are each 25% shareholders in the Aman Resort development part of the site. The preliminary master-plan and designs have been submitted for approval and construction work is expected to begin within 2008.

Lavender Bay Golf Resort

Situated around a secluded bay at the mouth of Pagassitikos Gulf near the town of Volos and only a two-and-half hour drive from Athens and Thessaloniki international airports, Lavender Bay Golf Resort represents Dolphin's first investment in the region of Thessalia, a leading candidate for the 2013 Mediterranean Games.

Dolphin recently increased its initial €15.5 million commitment by an additional €30.5 million in order to fund the conversion of part of the leasehold land into freehold land, acquire additional adjacent land and progress the permit process. The project, currently master-planned by EDSA (www.edsaplan.com), will comprise a five-star hotel, more than 100,000 m^2 of residential units, an 18-hole championship golf course, marina, beach club and other leisure activities spread over a 294-hectare site.

Over the past five months, the project has made significant progress with regards to permits, having received in early 2007 the first approvals of the permitting process, namely the Preliminary Environmental Impact Study. The renowned golf player and designer Gary Player (www.garyplayer.com) has been appointed to create an 18-hole Gary Player Signature Golf Course that is to complement the master-planned coastal residential community. A resort operator is expected to be appointed within the next few months. Construction is expected to begin in H1 2008.

<u>Sitia Bay Golf Resort</u>

Situated on the island of Crete and only a 10-minute drive from Sitia Airport, Sitia Bay Golf Resort represents one of the most advanced residential resorts in terms of permits on the largest of the Greek islands.

The over 200-hectare site is being designed as a residential resort aiming for over 110,000 m^2 of buildable residential units, a c.200-room luxury hotel, a convention centre, an 85-berth marina, an 18-hole golf course, a beach and country club and other leisure facilities.

The project represents Dolphin's first investment in Crete, the most popular Greek tourist destination with more than 2.2 million visitors last year, which is anticipated to be one of the main beneficiaries of the influx of foreign investment in the real estate sector that is anticipated over the coming years. Construction is set to begin in H2 2008, with the Environmental Impact Study for the hotel and marina (the most critical stage in the permit process) already approved.

Dolphin has to date invested approximately €11 million out of a total commitment of €24 million to fund a staged acquisition of 75% of the project company and the initial stages of the development process. The remaining shares are owned by Greek Marble Industry Technical & Tourist Company Iktinos Hellas SA, a publicly traded company on the Athens Stock Exchange. The golf designer, master-planner and resort operator are expected to be appointed in the next few months.

<u>Seascape Hills Resort</u>

Situated near Porto Heli, an established second-home holiday destination for affluent Greeks and only a 10-minute drive from Kilada Hills Golf Resort, Seascape Hills represents Dolphin's second investment in the Argolida peninsula, a region of strategic importance to the Company's investment plans.

Nestled within the highest hills of the wider Porto Heli area, the site offers almost 360 degrees panoramic sea views and a serene environment, ideal for an exclusive, private getaway. The resort is intended to become an exclusive villa community including a luxury 40-room Aman hotel integrated with 30 Aman villas and a spa.

To date Dolphin has acquired/optioned 57 hectares of land. Upon completion of the land assembly, the project is expected to span over 100 hectares, half of which will be taken up by the Aman Resort development with the rest serving as a land bank for additional phases. The project is further expected to benefit from the extended range of facilities to be offered by the neighbouring Kilada Hills Golf Resort.

<u>Livka Bay Resort</u>

Spread over a 56-hectare site along an unspoilt natural cove on the south end of the island of Solta and only 20 km from Split International Airport, Livka Bay Resort represents Dolphin's first investment in Croatia.

The exclusive residential community is expected to be one of the first leisure-integrated residential resorts to come to market in Croatia, having already obtained zoning for the first phase of its development comprising the marina, hotel, club house, retail village, beach club and some residential show villas. Zoning for the remaining residential component (villas and apartments) is expected during 2007. Final permits for the entire project are expected within 18 months and construction is set to begin during the second half of 2008. Dolphin is already in advanced negotiations with leading operators and designers for the development and operation of the resort.

Dolphin has acquired a 90% shareholding in the project company for a conditional consideration of up to €21.8 million (net of a current bank loan of €9.2 million) paid in stages, subject to specific permit milestones and residential real estate sales having been achieved. An additional amount of €13.2 million has been committed to repay existing shareholder loans, acquire additional contiguous land and fund the permitting and early development phases of the project.

<u>Rebranded Hotels</u>

Rebranded Hotels represents a newly-created investment platform set up to acquire, re-develop and re-brand existing sea-front dilapidated hotels in Greece into trendy condominium hotels where most of the suites will be offered either for sale or for long-term lease.

The platform seeks to take advantage of favourable upcoming legislation aimed at encouraging the restoration and renovation of old hotels that are not operational. Old hotel properties offer a large amount of buildable space on the beach which would be impossible to replicate today. More specifically, building coefficients in effect at the time of their construction were significantly higher than the permissible allocation today.

The platform complements the residential real estate offering of the Company's current projects by appealing to a large number of vacationers who prefer condo suites for short term accommodation instead of houses in large-scale integrated resorts. Condo hotels are the newest trend in vacation home ownership, which has seen increasing growth over the recent years in other more mature markets.

Rebranded Hotels has completed the first in a series of acquisitions in a property formerly known as Yiouli Hotel, by taking an 80% stake in the property for a consideration of €3 million to be paid in stages. Built in 1970 on an 8,211 m^2 site, the now non-operational 163-room hotel is situated on one of the sandiest beaches of Porto Heli in the region of Argolida. Its close proximity to Dolphin's existing residential resort developments in Argolida, namely Kilada Hills Golf Resort and Seascape Hills Resort, will allow interested buyers to enjoy the leisure facilities that these resorts have to offer.

Looking Ahead

As Dolphin's acquisition and development program continues, the prospects for significant capital appreciation are strong. The Investment Manager's experience and network in the targeted markets is being enhanced at all levels of the sourcing and execution process, allowing us to become more effective in every new deal we undertake. We are therefore confident that we will continue to experience high NAV growth throughout 2007.

Significant NAV growth is believed to have already been achieved post year-end due to the following factors that are not accounted for in the 2006 figures:

- The investments in Livka Bay Resort and Rebranded Hotels.
- The additional land acquired in Sitia Bay Golf Resort and Kilada Hills Golf Resort.
- The increase in the shareholding of Scorpio Bay Resort from 51% to 100%.
- Initial permit approvals received for Lavender Bay Golf Resort.

Our goals for 2007 are to:

- commit the remaining funds in an already existing strong pipeline;
- further establish the Company's position in Croatia and Cyprus;
- progress the development of existing projects;
- extend the network of strategic partners (developers, architects, operators, marketers, debt capital providers);
- consider realisation opportunities;
- continue to build a solid investment pipeline and increase the size of future transactions;
- cautiously continue to investigate Turkey while exploring other regional markets with significant land price appreciation potential such as Sicily and Montenegro;
- continue to grow the Company's NAV both from existing and new projects; and
- further develop our position as the leading investor in the residential resort sector in south-east Europe.

We believe that all the above goals are well within our reach in what promises to be a busy 2007.

Miltos Kambourides	**Pierre Charalambides**
Managing Partner	**Partner**
Dolphin Capital Partners	Dolphin Capital Partners

Finance Director's Report

In its first full year of trading, Dolphin has recorded strong financial results. The Company's rapid pace of investment activity in 2006 has seen commitments of €201 million out of a total of €399 million of net equity raised as of 31 December 2006, namely the €109 million (including the initial €5m of seed capital and less €3.4 million of placing costs) from Admission in December 2005 and the additional €300 million (less €7.0 million of placing costs) in the subsequent follow-on offering of October 2006.

With executed investments in a total of seven projects as of 31 December 2006 and six valued by Colliers, namely Kilada Hills Golf Resort, Scorpio Bay Resort, Apollo Heights Polo Resort, Lavender Bay Golf Resort, Sitia Bay Golf Resort and Seascape Hills Resort, Dolphin has witnessed an uplift in its invested capital over 2006 of €158 million, driven primarily by:

- acquiring a portfolio of privately negotiated land sites in the targeted region, following pre-contracts and several months of due diligence;
- deferring payment of part of the price consideration by linking it to permit progress;
- increasing when possible Dolphin's participation in project companies in an effort to maximise the NAV uplift; and
- achieving progress with the planning and permitting process of projects.

The Company's first year-end NAV was calculated as of 31 December 2006 and the results are summarised below. After taking into account the net proceeds of the secondary fundraising at 93p, Dolphin's NAV per share stated before deferred income tax liabilities stands at 110p (101p after deferred income tax liabilities), recording a 69% (55%) annual uplift over the Company's reported NAV per share at Admission of 65p:

NAV metric	€	£
Total NAV after DITL (millions)	509	343
Total NAV before DITL (millions)	552	372
NAV/share after DITL	1.50	101p
NAV/share before DITL	1.63	110p
NAV/share before DITL and non-invested cash	2.04	137p

Using £/Euro exchange rate of 0.67333 as of 31 December 2006
DITL: Deferred Income Tax Liabilities

It should also be noted that the reported deferred income tax liabilities of €43 million is based on the current fair market value of the land acquired and is only applicable to direct land or asset sales. These deferred income tax liabilities are not expected to become payable because, in the event of a land sale, this will be effected through the sale of the shares of the holding SPVs and not the land itself. As such, the Investment Manager considers the NAV before DITL to be a more representative figure.

In accounting terms, the net profit for the year was €110 million, implying Earnings Per Share equal to of €1.01.

Based on the consolidated financial statements of the Company as of 31 December 2006 prepared under IFRS, Dolphin's Total assets are €606 million (which comprise Investment Property, Property, plant & equipment and Current assets) and Total Liabilities are €65 million.

The valuation of the Company's Investment property portfolio (freehold and long leasehold interests) at 31 December 2006 was undertaken by Colliers International. This valuation was performed on the basis of Market Value (please see Appendix A for a more detailed description of the valuation methodology used). The fair market value of these investments as of 31 December 2006, assuming a 100% ownership basis, has been valued by Colliers International at €298 million. After deducting Minority Interests of €32 million and adjusting for other net liabilities of approximately €6 million, Dolphin's share of that represents a valuation of €260 million versus an investment of €102 million. This represents an uplift of €158 million or a 2.5 times multiple over invested capital.

Current assets are €308 million (after deducting Trading properties of €19.9 million which are included in Investment property). This figure includes a cash balance of €293 million and €15 million of other receivables.

Total liabilities are €65 million, of which €43 million refers to deferred income tax liabilities (which, as already mentioned, is believed to be unlikely to materialise as the exit of investments is expected to be realised by selling the shares of the holding SPVs and not the land itself), €8 million refers to Interest-bearing loans and Finance lease obligations and €14 million to other payables.

Accordingly, the NAV of the Company as of 31 December 2006 before and after deferred income tax liabilities was €552 million and €509 million respectively.

The consolidated financial statements have been audited by KPMG.

Exercised Warrants

As of 30 June 2006, the uplift in the value of Dolphin's investments from the Prospective Investment Portfolio section of the Company's Admission document published in December 2005 was €71.8 million, which resulted in the full award of the Founding Shareholder Warrants and the issuing of 12.5 million new common shares. The Founding Shareholder Warrants entitled Dolphin's Founding Shareholders to subscribe, at €0.01 per Common Share, for such number of Common Shares (capped at 12.5 million Common Shares) which when multiplied by the placing price of 68 pence (€1.00) equals 50% of the difference between the market value of the Company's legal interests in the Prospective Investment Portfolio (further defined in the Company's AIM Admission document) at acquisition and its cost of investment. 20% of the Founding Shareholder Warrants were awarded to the Investment Manager.

Over-Performance Warrants

In conjunction with the secondary placing (the "Placing") in October 2006, the Company granted the Investment Manager an additional over- performance incentive designed to reward the Investment Manager if the Company achieves exceptional growth in its net asset value during the period from the date of the Placing to 31 December 2007. The achievement of this additional incentive will be predicated upon the Company's net asset value growth over this period out-performing a hurdle rate of 30% (the "Over-Performance Hurdle"). In the event of this over-performance, the Investment Manager will be granted the right to subscribe (at par value of €0.01) for such number of further common shares as equals 10% of the value of the net asset value growth over the Over-Performance Hurdle divided by the October 2006 placing price of €1.38. For any common shares subscribed for pursuant to the exercise of the warrants, the Investment Manager shall be subject to a lock-up for a period of 2 years from the date of subscription.

Finance and Capital Structure

The Company's loan to value ratio is currently low. Dolphin anticipates an increase in the gearing of its projects as they start to enter the construction phase. The Investment Manager will continue to review all options for levering up the balance sheet, in an effort to optimise the Company's capital structure and enhance shareholder returns.

Substantial Shareholdings

Name of holder	Number of ordinary shares of €0.01	Percentage held
1 Lansdowne Partners	40,205,000	11.84%
2 Merrill Lynch BlackRock Investment Management	33,662,804	9.92%
3 Standard Life Investments	29,441,088	8.67%
4 Henderson Global Investors	29,374,500	8.65%
5 Goldman Sachs as market-maker	17,791,600	5.24%
6 Morgan Stanley Securities	16,600,000	4.89%
7 Capital Group	16,000,000	4.71%
8 Fortress Drawbridge Funds	12,385,000	3.65%
9 M & G Investment Management	10,175,000	3.00%

Panos Katsavos
Finance Director
Dolphin Capital Partners

Board of Directors

Role

Dolphin's Board of Directors (the "Board") is the Company's absolute decision-making body approving and disapproving all investments proposed by the Investment Manager. The Board is responsible for acquisitions and divestments, major capital expenditures and focuses upon the Company's long-term objectives, strategic direction and dividend policy.

Composition

The Board of the Company comprises five independent non-executive Directors and Miltos Kambourides. The biographical details of all the Directors are given below.

Andreas Papageorghiou (non-executive Chairman), aged 74, a practising lawyer and the managing partner of A. N. Papageorghiou & Associates Law Offices in Nicosia, Cyprus. Mr. Papageorghiou was called to the English Bar in 1959 (Gray's Inn) and he subsequently practised law from 1959 to 1963. From 1963 to 1978, Mr. Papageorghiou was internal legal adviser and subsequently senior manager of Legal & Trustee Services of the Bank of Cyprus group of companies. From 1978 to 1980, he was the Minister of Commerce & Industry of the Republic of Cyprus and from 1981 to 1993, he was the general manager of the Cyprus Housing Finance Corporation.

Nicholas Moy (non-executive Director), aged 69, the Group Chairman of Gryphon Emerging Markets Ltd ("Gryphon"), an investment banking firm specialising in the countries of the Mediterranean basin and the Middle East. Gryphon is active in restructuring and refinancing companies requiring capital, as well as establishing and operating private equity investment funds in the larger emerging market economies. Mr. Moy currently serves as chairman of the Arab Business Council in London, and is also a director or advisory board member of a number of international funds and related companies. Mr. Moy was previously co-founder and deputy chairman of Granville Holdings Limited, a London based investment bank and one of the pioneers of the private equity sector in the UK, Continental Europe and the Middle East.

Cem Duna (non-executive Director), aged 60, the president of AB Consultancy and Investment Services, a leading Turkish consultancy company. He is also the vice chairman of the board of Turkish Industrialists and Businessmen Association. Mr. Duna was previously Ambassador and Permanent Delegate of Turkey to the European Union between 1991 and 1995. During this period, he led the negotiations for the formation of the Customs Union. Mr. Duna was also the Ambassador and Permanent Delegate of Turkey to the United Nations Offices in Geneva and the Chief Negotiator in the GATT Uruguay Round Multilateral Trade negotiations. He also spent three and half years as the late President Turgut Ozal's Foreign Policy Advisor between the years 1985 and 1988 when Mr. Ozal was the Prime Minister of Turkey. Mr. Duna served at various diplomatic levels in capitals that included Copenhagen, The Hague, Jeddah and London through his career in the Foreign Ministry.

Antonios Achilleoudis (non-executive Director), aged 38, the co-founder and managing director of Axia Ventures Ltd and Axia Asset Management, a New York based alternative investment advisory firm. In this capacity, Mr. Achilleoudis has advised and consulted on the structuring of several hedge fund and alternative investment products and projects, including the formation of a multi-strategy hedge fund and the management of a long/short equity fund. From 1993 to 2000, Mr. Achilleoudis was vice president of Investments at the Private Client Group of Gruntal & Co. LLC, an investment bank and member of the New York Stock Exchange. In this capacity, he was managing the investment portfolios of high net worth individuals and institutions with specialisation in hedge fund advisory services and research.

Roger Lane-Smith (non-executive Director), aged 62, a non-executive director of a number of UK quoted companies including the chairmanship of JJB Sports plc. Until April 2005, Mr. Lane-Smith was executive chairman and senior partner of DLA Piper Rudnick Group Cary LLP, a major Professional Services firm, which under his leadership grew through acquisition and geographical expansion to global revenues exceeding US$1.2 billion.

Miltos Kambourides (non-independent Director), aged 34, the founder and managing partner of Dolphin Capital Partners Limited. Prior to founding Dolphin Capital Partners in 2004, Mr. Kambourides was a founding partner of Soros Real Estate Partners ("SREP"), a global real estate private equity business formed in 1999 by George Soros. During Mr. Kambourides' tenure, the company raised a US$1 billion fund and executed a number of complex real estate transactions in western Europe and Japan, including a significant investment in several master-planned leisure-integrated residential community developments in Spain. While at SREP, Mr. Kambourides was the deal leader and a founder of Mapeley Ltd, which went on to become the second largest real estate outsourcing company in the UK, now listed on LSE with a market capitalisation of £1.1 billion. Prior to joining Soros, Mr. Kambourides spent two years at Goldman Sachs working on real estate private equity transactions in the UK, France and Spain. In 1998, he received a Goldman Sachs Global Innovation award for his work at Trillium, the largest real estate outsourcing company in the UK, later sold to Land Securities.

Mr. Kambourides graduated from the Massachusetts Institute of Technology with a BS and MS in Mechanical Engineering and a BS in Mathematics. He has received several academic honours and participated twice in the International Math Olympiad (Beijing 1990, Moscow 1992) and once in the Balkan Math Olympiad (Sofia 1990) where he received a bronze medal.

Independent Auditor's Report
To the Members of Dolphin Capital Investors Limited

Report on the Consolidated Financial Statements
We have audited the consolidated financial statements of Dolphin Capital Investors Limited (the "Company"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period from 7 June 2005 to 31 December 2006, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements
The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to the Company's members, as a body. 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. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Dolphin Capital Investors Limited as of 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the period from 7 June 2005 to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB.

KPMG
Chartered Accountants
9 March 2007
Nicosia, Cyprus

Consolidated Income Statement
For the period from 7 June 2005 to 31 December 2006

	Note	From 7 June 2005 to 31 December 2006 €'000
Gain on disposal of investment	27	7,955
Valuation gains on investment property	12	44,516
Total operating profits		52,471
Investment manager fees	10.2	(3,816)
Professional fees	11	(1,909)
Other expenses		(2,586)
Administrative expenses		(8,311)
Net operating profit before net financial income		44,160
Financial income	8	4,058
Financial expense	8	(377)
Net financial income	8	3,681
Excess of fair value over cost arising on acquisitions	26	78,179
Profit before taxation		126,020
Taxation	24	(10,525)
Profit for the period		115,495
Attributable to:		
Equity holders of the Company		110,324
Minority interest		5,171
Profit for the period		115,495
Basic earnings per share (€)	20	1.01

The notes below are an integral part of these consolidated financial statements.

Consolidated Balance Sheet
As at 31 December 2006

	Note	2006 €'000
Assets		
Investment property	12	278,017
Property, plant & equipment	13	165
Total non-current assets		278,182
Trading properties	14	19,900
Loans receivable	15	6,500
Receivables and prepayments	16	7,570
Deferred tax assets	17	520
Cash and cash equivalents	18	292,929
Total current assets		327,419
Total assets		605,601
Equity		
Share capital	19	3,395
Share premium	19	395,335
Retained earnings		110,324
Total equity attributable to equity holders of the parent		509,054
Minority interest		31,898
Total equity		540,952
Liabilities		
Interest-bearing loans	21	2,500
Finance lease obligation	22	4,532
Deferred tax liability	17	43,372
Total non-current liabilities		50,404
Interest – bearing loans	21	1,029
Finance lease obligation	22	122
Trade and other payables	23	12,951
Tax payable	24	143
Total current liabilities		14,245
Total liabilities		64,649
Total equity & liabilities		605,601
Net asset value per share	9	1.50

The notes below are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the period from 7 June 2005 to 31 December 2006

	Share capital €'000	Share premium €'000	Retained earnings €'000	Total €'000	Minority interest €'000	Total equity €'000
Balance at beginning of period	50	4,950	–	5,000	–	5,000
Shares issued	3,345	400,791	–	404,136	–	404,136
Placing costs	–	(10,406)	–	(10,406)	–	(10,406)
Profit for the period	–	–	110,324	110,324	5,171	115,495
Minority interest on acquisitions	–	–	–	–	26,727	26,727
Balance at end of period	3,395	395,335	110,324	509,054	31,898	540,952

The notes below are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement
For the period from 7 June 2005 to 31 December 2006

	Note	From 7 June 2005 to 31 December 2006 €'000
Operating activities		
Profit for the period		126,020
Adjustments for:		
Excess of fair value over cost arising on acquisitions	26	(78,179)
Gain on disposal of investment in subsidiary	27	(7,955)
Gains on fair value adjustment of investment property	12	(44,516)
Depreciation charge	13	3
Interest income	8	(4,058)
Interest expense	8	290
Operating loss before changes in working capital		(8,395)
Increase in receivables and prepayments		(1,553)
Increase in trade and other payables		12,949
Cash generated from operations		3,001
Interest paid		(261)
Interest received		2,801
Cash flows from operating activities		5,541
Investing activities		
Acquisition of subsidiaries net of cash acquired	26	(65,278)
Loans receivable	15	(6,500)
Acquisition of investment property	12	(57,011)
Acquisition of property, plant and equipment	13	(53)
Proceeds from disposal of investment in subsidiary	27	18,000
Cash flows used in investing activities		(110,842)
Financing activities		
Proceeds from the issue of share capital	19	409,136
Payment of placing costs	19	(10,406)
Repayment of interest-bearing loans	21	(500)
Cash flows from financing activities		398,230
Net increase in cash and cash equivalents		292,929
Cash and cash equivalents at 7 June 2005		–
Cash and cash equivalents at 31 December 2006	18	292,929

The notes below are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information
Dolphin Capital Investors Limited (the "Company") was incorporated and registered in the British Virgin Islands on 7 June 2005. The Company is a real estate investment company focused on early-stage, large scale leisure-integrated residential resorts in Southeast Europe, and managed by Dolphin Capital Partners Limited (the "Investment Manager"), an independent private equity management firm that specialises in real estate investments in Southeast Europe.

The shares of the Company were admitted to trading on the AIM market of the London Stock Exchange ("AIM") on 8 December 2005. The consolidated financial statements of the Company for the period from 7 June 2005 to 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements were authorised for issue by the directors on 8 March 2007.

2. Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and IFRSs as issued by the International Accounting Standards Board (IASB).

At 31 December 2006, the following International Financial Reporting Standards, amendments and interpretations had been issued by the IASB and adopted by the European Commission, but have not been applied by the Company, because their first time adoption falls in future periods.

- IAS 1 (Amendment), Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). The standard will require increased disclosure in respect of the Company's capital. The application of this amendment is not expected to have a material effect on the consolidated financial statements of the Company.
- IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The application of this standard is not expected to have a material effect on the consolidated financial statements of the Company.
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006). The interpretation contains guidance on how an entity would restate its financial statements pursuant to IAS 29 in the first year it identifies the existence of hyperinflation in the economy of its functional currency. The application of this interpretation is not expected to have a material effect on the consolidated financial statements of the Company.
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). The interpretation clarifies that the accounting standard IFRS 2 Share-based Payment applies to arrangements were an entity makes share-based payments for apparently nil or inadequate consideration. The application of this interpretation is not expected to have a material effect on the consolidated financial statements of the Company.
- IFRIC 9 Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). The interpretation addresses issues in relation to embedded derivatives. The application of this interpretation is not expected to have a material effect on the consolidated financial statements of the Company.

At 31 December 2006, the following International Financial Reporting Standards, amendments and interpretations had been issued by the IASB but not yet been adopted by the European Commission and the Company. The first time adoption of these standards falls in future periods.

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The application of this standard is not expected to have a material effect on the consolidated financial statements of the Company.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). The interpretation addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on subsequent interim and annual financial statements. The application of this standard is not expected to have a material effect on the consolidated financial statements of the Company.
- IFRIC 11, Scope of IFRS 2 Group and Treasury Share Transactions (effective for annual period beginning on or after 1 March 2007). The interpretation addresses the following: (a) whether certain transactions should be accounted for as equity-settled or as cash-settled under the requirement of IFRS 2 and (b) issues concerning share-based payment arrangements that involve two or more entities within the same group. The application of this interpretation is not expected to have a material effect on the consolidated financial statements of the Company.
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). The interpretation sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements. The application of this interpretation is not expected to have a material effect on the consolidated financial statements of the Company.

3. Basis of preparation

The financial statements are presented in euro (€), rounded to the nearest thousand. They are prepared on the historical cost basis except for investment property, which is stated at its fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgement, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Significant subsidiaries

The Company's most significant subsidiaries are the following:

Name	Country of incorporation	Shareholding interest
Scorpio Bay Holdings Limited	Cyprus	51%
Scorpio Bay Resorts S.A.	Greece	51%
Latirus Enterprises Limited	Cyprus	80%
Iktinos Techniki Touristiki S.A.	Greece	75%
XScape Limited	Cyprus	95%
Golfing Developments S.A.	Greece	95%
MindCompass Overseas Limited	Cyprus	87%
MindCompass Overseas S.A.	Greece	87%
Alasia Polo and Country Resort Limited	Cyprus	100%
DolphinCI Fourteen Limited	Cyprus	100%
Special Purpose Vehicle Fourteen S.A.	Greece	99%

5. Significant accounting policies

The accounting policies set out below have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements.

5.1 Subsidiaries

Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

5.2 Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

5.3 Excess of fair value over cost arising on acquisition of subsidiaries

If the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of a business combination, the Company reassesses the identification and measurement of the Company's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination, and recognises immediately in the consolidated income statement any excess remaining after the reassessment.

5.4 Investment property

Investment properties are those which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every six months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation analysis of properties is based on all the pertinent market factors that relate both to the real estate market and, more specifically, to the subject properties. The valuation analysis of a property typically uses four approaches: the cost approach, the direct sales comparison approach, the income approach and the residual value approach. The cost approach measures value by estimating the Replacement Cost New or the Reproduction Cost New of property and then determining the deductions for accrued depreciation that should be made to reflect the age, condition and situation of the asset during its past and proposed future economic working life. The direct sales comparison approach is based on the premise that persons in the marketplace buy by comparison. It involves acquiring market sales/offerings data on properties similar to the subject property.

The prices of the comparables are then adjusted for any dissimilar characteristics as compared to the subject's characteristics. Once the sales prices are adjusted, they can be reconciled to estimate the market value for the subject property. Based on the income approach, an estimate is made of prospective economic benefits of ownership. These amounts are discounted and/or capitalised at appropriate rates of return in order to provide an indication of value. The residual value approach is used for the valuation of the land and depends on two basic factors: the location and the total value of the buildings developed on a site. Under this approach, the residual value of the land is calculated by subtracting from the estimated sales value of the completed development the development cost.

Each of the above-mentioned techniques results in a separate valuation indication for the subject property. Then a reconciliation process is performed to weigh the merits and limiting conditions of each approach. Once this is accomplished, a value conclusion is reached by placing primary weight on the technique, or techniques, that are considered to be the most reliable, given all factors.

Any gain or loss arising from a change in fair value is recognised in the consolidated income statement.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy 5.7.

5.5 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and appropriate proportion of production overheads. Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Freehold land is not depreciated. The annual rates of depreciation are as follows:

Furniture and fittings	10%
Technological equipment	20–33$^{1}/_{3}$%
Motor vehicles	20%

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item 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 incurred.

5.6 Trading properties
Trading properties (inventory) are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of trading properties is determined on the basis of specific identification of their individual costs and represents the fair value paid at the date that the land was acquired by the Group.

5.7 Leased assets
Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis. Such property is accounted for as if it were a finance lease and the fair value model is used for the asset recognised.

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

5.8 Loans, trade and other receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy 5.17).

5.9 Cash and cash equivalents
Cash and cash equivalents comprise cash deposited with banks and bank overdrafts repayable on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

5.10 Share capital and premium
Share capital represents the issued amount of shares outstanding at their par value. Any excess amount of capital raised is included in share premium. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in share premium from the proceeds. Share issue costs incurred directly in connection

with a business combination are included in the cost of acquisition.

5.11 Dividends
Dividends are recognised as a liability in the period in which they are declared and approved and are subtracted directly from retained earnings.

5.12 Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the borrowings on an effective interest basis.

5.13 Trade and other payables
Trade and other payables are stated at their cost.

5.14 Provisions
A provision is recognised in the consolidated balance sheet 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, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5.15 Expenses
Investment manager fees, audit and professional fees and other expenses are accounted for on an accrual basis. Expenses are charged to the consolidated income statement, except for expenses incurred on the acquisition of an investment property, which are included within the cost of that investment. Expenses arising on the disposal of an investment property are deducted from the disposal proceeds.

5.16 Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method net of interest capitalised, interest receivable on funds invested and foreign exchange gains and losses. Interest income is recognised in the consolidated income statement as it accrues. The interest expense component of finance lease payments is recognised in the consolidated income statement using the effective interest rate method.

5.17 Impairment
The carrying amounts of the Group's assets, other than investment property (see accounting policy 5.4) and deferred tax assets (see accounting policy 5.19), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. The recoverable amount is the greater of the net selling price and value in use of an asset. In assessing value in use of an asset, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

5.18. Foreign currency translation
Transactions in foreign currencies are translated to euro at the spot foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement.

5.19 Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.20 Segment reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business

segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

5.21 Earnings per share

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

5.22 Net asset value per share

The Group presents net asset value per share by dividing the total equity attributable to equity holders of the Company by the number of shares outstanding as at the balance sheet date.

6. Property valuation and reporting policy

The Directors have appointed Colliers International, an internationally recognised firm of surveyors to conduct a valuation of the Company's acquired sites to determine their fair asset value as at 31 December 2006. These valuations were prepared in accordance with generally accepted appraisal standards, as set out by the American Society of Appraisers (the "ASA"), and in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the ASA and RICS (the "Royal Institute of Chartered Surveyors"). Furthermore, the valuations were conducted on an "as is condition" and on an open market comparative basis.

Property valuations are prepared at the end of June and December of each year. The Company reserves the right to undertake quarterly valuations on selected projects where it seems necessary.

7. Segment reporting

The Company has one business and geographical segment focusing on achieving capital growth through investing in residential resort developments in south-eastern Europe.

8. Net financial income

	From 7 June 2005 to 31 December 2006 €'000
Interest income	4,058
Financial income	4,058
Interest expense	(290)
Bank charges	(87)
Financial expense	(377)
Net financial income	3,681

9. Net asset value per share

The net asset value per share as at 31 December 2006 is €1.50 per common share based on 339,460 thousand common shares in issue as at that date.

10. Related party transactions

10.1 Directors of the Company

Miltos Kambourides is the founder and managing partner of the Investment Manager.

The interests of the Directors, all of which are beneficial, in the issued share capital of the Company are as follows:

	Shares '000
Miltos Kambourides (indirect holding)	2,339
Nicholas Moy	50
Roger Lane-Smith	25
Andreas Papageorghiou	5

Save as disclosed, none of the Directors had any interest during the period in any material contract for the provision of services which was significant to the business of the Group.

10.2 Investment Manager fees

Annual fees

The Investment Manager is entitled to an annual management fee of 2% of the equity funds defined as follows:

- €109 million; plus
- the gross proceeds of further equity issues; plus
- realised net profits less any amounts distributed to shareholders.

In addition, the Company shall reimburse the Investment Manager for any professional fees or other costs incurred on behalf of the Company at its request for services or advice. Annual management fees paid during the period from 7 June 2005 to 31 December 2006 amounted to €3,816 thousand.

Performance fees
The Investment Manager is entitled to a performance fee based on the net realised cash profits made by the Company subject to the Company receiving the "Relevant Investment Amount" which is defined as an amount equal to:
(i) the total cost of the investment; plus
(ii) a hurdle amount equal to an annualised percentage return of 8% compounded for each year or fraction of a year during which such investment is held (the "Hurdle"); plus
(iii) a sum equal to the amount of any realised losses and/or write-downs in respect of any other investment which has not already been taken into account in determining the Investment Manager's entitlement to a performance fee.

In the event that the Company has received distributions from an investment equal to the Relevant Investment Amount any subsequent net realised cash profits arising shall be distributed in the following order or priority:
(i) first, 60% to the Investment Manager and 40% to the Company until the Investment Manager shall have received an amount equal to 20% of such profits; and
(ii) second, 80% to the Company and 20% to the Investment Manager,

such that the Investment Manager shall receive a total performance fee equivalent to 20% of the net realised cash profits.

The performance fee payment is subject to the following escrow and clawback provisions.

Escrow
The escrow arrangements for the payment of performance fees payable to the Investment Manager have been amended to take into account the proceeds of the AIM secondary placement. The following table compares the escrow arrangements at the time of Admission, and following the completion of the AIM secondary placement. The key change relates to the final release of performance fees from the escrow account to the Investment Manager which will only occur once the Company has distributed to shareholders the €109 million equity funds raised plus the proceeds of the AIM secondary placement (all at an 8% compound return). This amendment further aligns the Investment Manager with shareholders by focusing the Investment Manager on maximising shareholder returns and returning the initially invested capital back to shareholders, once realised.

Escrow	At Admission	Amended terms
Up to €109 million returned	50% of overall performance fee held in escrow	50% of overall performance fee held in escrow
Above €109 million returned	25% of overall performance fee held in escrow	25% of overall performance fee held in escrow
Above €109 million plus 8% hurdle returned	All performance fees released from escrow	25% of any performance fee earned held in escrow
€109 million plus new equity funds returned plus 8% hurdle	N/A	All performance fees released from escrow

Clawback
If on the earlier of (i) disposal of the Company's interest in a relevant investment or (ii) 1 August 2015, the proceeds realised from that investment are less than the Relevant Investment Amount, the Investment Manager shall pay to the Company an amount equivalent to the difference between the proceeds realised and the Relevant Investment Amount. The payment of the clawback is subject to the maximum amount payable by the Investment Manager not exceeding the aggregate performance fees (net of tax) previously received by the Investment Manager in relation to other investments.

Performance fees paid or accrued during the period from 7 June 2005 to 31 December 2006 amounted to €nil.

10.3 Directors' remuneration
From admission of the Company to trading on AIM each director is paid €15 thousand p.a., except for Mr. Roger Lane-Smith who is paid €45 thousand p.a. and Messrs Achilleoudis and Kambourides who have waived their fees. Total fees and expenses paid to the Directors for the period from 7 June 2005 to 31 December 2006 were as follows:

	€'000
Andreas Papageorghiou	20.5
Cem Duna	20.5
Nicholas Moy	20.5
Roger Lane-Smith	13.1
Total	74.6

10.4 Shareholder and development agreements
Shareholder agreements
Dolphinci Three Limited, a subsidiary of the Group, has signed a shareholder agreement with the minority shareholder of Kilada

Hills. Under its current terms, the shareholding of the parties is diluted at any capital increase in case it fails to participate at a valuation equal to €60 million, plus any further cash invested into the project.

Dolphinci Nine Limited, a subsidiary of the Group, has signed a shareholder agreement with the minority shareholder of Lavender Bay. Under its current terms, the shareholding of the parties is diluted at any capital increase in case it fails to participate at a valuation equal to €1.3 million, plus any additional equity invested into the project.

Development agreements
MindCompass Overseas Ltd, a subsidiary of the Group, has signed a Development Management agreement with companies owned by or related to the minority shareholder of Kilada Hills under the terms of which these companies undertake to assist MindCompass Overseas Ltd to obtain all permits required to enable the development of the project and coordinate advisors, consultants and operators during the pre-development and construction phases. The development manager receives an annual fee plus an incentive and success fee.

XScape Ltd, a subsidiary of the Group, has signed a Development Management agreement with the companies owned by or related to the minority shareholder of Lavender Bay under the terms of which these companies undertake to assist XScape Ltd to obtain all permits required to enable the development of the project and coordinate advisors, consultants and operators during the pre-development and construction phases. The development manager receives an annual fee plus an incentive and success fee.

10.5 Other related parties
During the period, the Group incurred the following related party transactions with the following entities, which are owned by the minority shareholder of XScape Ltd (Lavender project) and MindCompass Overseas Ltd (Kilada project).

Related Party	€ ’000	Nature of transaction
Roots Development S.A.	167	Project management services in relation to the Kilada Hills project
Roots Development S.A.	67	Project management services in relation to the Seascape Hills project
Roots Development S.A.	208	Project management services in relation to the Lavender Bay project
Ergotex Parks Limited	777	Project management services in relation to the Kilada Hills project
Ergotex Parks Limited	371	Project management services in relation to the Seascape Hills project

The above transactions are based on written agreements that were entered into on an arm’s length basis.

11. Professional fees

	From 7 June 2005 to 31 December 2006 €’000
Project management fees	1590
Legal fees	45
Audit fees	137
Accounting fees	67
Other professional fees	70
Total	1,909

12. Investment property

	Leasehold land €’000	Freehold land €’000	Total €’000
At beginning of period	–	–	–
Additions through:			
direct acquisitions	554	57,011	57,565
acquisition of subsidiary companies (see note 26)	4,100	171,836	175,936
	4,654	228,847	233,501
Fair value adjustment	26,247	18,269	44,516
At end of period	30,901	247,116	278,017

13. Property, plant and equipment

	Equipment €'000	Motor vehicles €'000	Total €'000
Cost at beginning of period	–	–	–
Additions through:			
Direct acquisition of equipment	53	–	53
Acquisition of subsidiary companies	212	3	215
Cost at end of period	265	3	268
Depreciation at beginning of period	–	–	–
Additions through:			
Acquisition of subsidiary companies	100	–	100
Charge for the period	3	–	3
Depreciation at end of period	103	–	103
Carrying amount	162	3	165

14. Trading properties

	31 December 2006 €'000
At beginning of period	–
Additions through acquisition of subsidiaries (see note 26)	19,900
At end of period	19,900

15. Loans receivable

The Company entered into a loan agreement with Egnatia Anonimi Asfalistiki Etaireia ("Egnatia") on 30 June 2006 regarding Scorpio Bay Resort to provide Egnatia with a €6.5 million loan at an 8% interest cost for a maximum period of one year. The loan is secured against Egnatia's 49% shareholding of Scorpio Bay Holdings Ltd and, in the event that it is not repaid within 12 months, the Company has the right to obtain 100% of Scorpio Bay Holdings Ltd. As of 31 December 2006, no interest has been accrued on the loan because Egnatia has entered into liquidation proceedings and was unable to repay the loan. As a result, the Group activated the security provisions of the loan agreement on 22 February 2007 and acquired Egnatia's 49% shareholding interest in Scorpio Bay Holdings Ltd (see also note 29).

16. Receivables and prepayments

	31 December 2006 €'000
Accrued interest receivable	1,257
Pre-contract advances for land acquisitions	1,951
Investment manager fee prepayments	2,045
Other receivables and prepayments	2,317
Total	7,570

17. Deferred tax assets and liabilities

	Deferred tax asset €'000	Deferred tax liability €'000
Balance 7 June 2005	–	–
From acquisition of subsidiaries (see note 26)	491	(32,828)
(Charge)/Credit in the income statement	29	(10,544)
Balance as at 31 December 2006	520	(43,372)

Deferred tax assets and liabilities are attributable to the following:

	Deferred tax asset €'000	Deferred tax liability €'000
Revaluation of investment property	–	(42,219)
Revaluation of trading property (on acquisition of subsidiary)	–	(1,153)
Tax losses	520	–
Total	520	(43,372)

The deferred tax provision for the Cyprus subsidiaries is based on the capital gains tax rate, which is 20%. The deferred tax provision for the Greek subsidiaries is based on a 25% tax rate, which is the rate applicable for the year 2007 and thereafter.

18. Cash and cash equivalents

	31 December 2006 €'000
Bank balances	53,193
One-month fixed deposits	14,927
Two-month fixed deposits	61,149
Three-month fixed deposits	163,660
Cash and cash equivalents in the statement of cash flows	292,929

The average interest rate on the above bank balances for the period from 7 June 2005 to 31 December 2006 was 3.21%.

19. Share capital and premium

Authorised share capital

	Number of shares '000	31 December 2006 €'000
Common shares of €0.01 each	500,000	5,000

Movement in share capital and premium

	Number of shares '000	Share capital €'000	Share premium €'000
Shares issued on 7 June 2005	5,000	50	4,950
Shares issued from AIM primary placement on 8 December 2005	104,000	1,040	102,960
Placement costs on AIM primary placement	–	–	(3,411)
Shares issued from exercise of warrants on 9 October 2006	12,500	125	–
Shares issued from AIM secondary placement on 9 October 2006	217,960	2,180	297,831
Placement costs on AIM secondary placement	–	–	(6,995)
Total	339,460	3,395	395,335

Warrants

The Founding Shareholder Warrants entitled the Founding Shareholders to subscribe, at par value per common share of €0.01, for such number of common shares (capped at 12.5 million common shares) which when multiplied by the placing price of 68p (€1.00) equals 50% of the difference between the market value of the Company's legal interests in the Prospective Investment Portfolio and its cost of investment. The valuation of the Company's legal interests in the Prospective Investment Portfolio was carried out by the Company's property valuer, Colliers International S.A. as at 30 June 2006. All of the Founding Shareholder Warrants were exercised in September 2006 and were all admitted to trading on AIM on 9 October 2006.

In conjunction with the secondary placing on 9 October 2006 (the "Placing"), the Investment Manager was granted an additional over-performance incentive designed to reward the Investment Manager if the Company achieves exceptional growth in its net asset value during the period from the date of the Placing to 31 December 2007. The achievement of this additional incentive is predicated upon the Company's net asset value growth over this period out-performing a hurdle rate of 30% (the 'Over-Performance Hurdle'). In the event of this over performance, the Investment Manager will be granted the right to subscribe (at par value of €0.01) for such number of further common shares as equals 10% of the value of the net asset value growth over the Over-Performance Hurdle divided by the Placing price of £0.93 (€1.38). The Investment Manager has agreed that any common shares subscribed for pursuant to the Warrant Proposal will be subject to a lock-up requirement for a period of 2 years from the date of subscription.

20. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares in issue during the period from 7 June 2005 to 31 December 2006.

	31 December 2006
Profit attributable to equity holders of the Company (in thousands of euro)	110,324
Number of weighted average common shares in issue (in thousands of shares)	109,096
Basic earnings per share (€ per share)	1.01

Weighted average number of common shares

	31 December 2006 '000
Issued common shares on 7 June 2005 5,000	
Effect of shares issued on 8 December 2005	70,546
Effect of warrants exercised on 9 October 2006	1,923
Effect of shares issued on 9 October 2006	31,627
Weighted average number of common shares as at 31 December 2006	109,096

Diluted earnings per share
As at 31 December 2006, the diluted earnings per share are the same as the basic earnings per share because the warrants that were granted in October 2006 (see note 19) were not exercisable.

21. Interest-bearing loans

	Short-term €'000	Long-term €'000	Total €'000
Loans	1,000	2,500	3,500
Accrued interest	29	–	29
Total	1,029	2,500	3,529

The Group has obtained a loan of €4 million from EFG Eurobank Ergasias in Athens. The loan bears interest at Euribor plus 2.20% and it is repayable in sixteen equal quarterly instalments, commencing 27 months from the date the initial funds were disbursed to the Group. For more information about the Group's exposure to interest rate and currency risk, see note 25.

22. Finance lease obligations

	Principal €'000	Interest €'000	Minimum lease payments €'000
Less than one year	122	6	128
Between one and five years	466	21	487
More than five years	4,066	90	4,156
Total	4,654	117	4,771

23. Trade and other payables

	31 December 2006 €'000
Trade payables	11,040
Other payables and accrued expenses	1,911
Total	12,951

24. Taxation

	From 7 June 2005 to 31 December 2006 €'000
Deferred tax income	(29)
Deferred tax expense	10,544
Defence tax	10
Total	10,525

Reconciliation of taxation based on taxable income and taxation based on Group's accounting profit:

	From 7 June 2005 to 31 December 2006 €'000
Taxation using the Company's domestic tax rate	–
Recognised tax losses	(29)
Effect of investment property valuations	10,544
Other	10
Taxation per consolidated income statement	10,525

The tax payable amount of €143 thousand represents income tax payable in Greece.

The profits of the Cypriot companies of the Group are subject to a corporation tax rate of 10% on their total taxable profits. Losses of Cypriot companies are carried forward to reduce future profits without limits and without being subject to any tax rate. In addition, the Cypriot companies of the Group are subject to a special contribution of 10% on their interest income and a 3% special contribution on rental income. In Greece, the corporation tax rate as at 31 December 2006 is 29%. Tax losses of Greek companies are carried forward to reduce future profits for a period of five years.

As a company incorporated under the BVI International Business Companies Act (Cap. 291), the Company is exempt from taxes on profit, income or dividends. Each company incorporated in BVI is required to pay an annual government fee which is determined by reference to the amount of the Company's authorised share capital.

25. Financial instruments

The Group's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and interest rate risk.

Market price risk

The Group is exposed to property price and market rental risks.

Credit risk

Credit risk is monitored on an ongoing basis. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

The Company maintains sufficient cash balances for working capital requirements.

Interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in prevailing market interest rates on its cash balances and long-term borrowings. Cash is invested at short-term market interest rates.

Foreign currency risk

The Group is exposed to foreign currency risk on monetary assets and liabilities held in currencies other than the euro. The Group ensures that the net exposure is kept to an acceptable level. The currency giving rise to this risk is primarily Pounds Sterling.

Fair value

Fair value represents the amount for which an asset could be exchanged or a liability repaid on an arm's length basis. The current and long-term financial assets and liabilities of the Group are included at values which approximate their fair values.

26. Business combinations

As of 31 December 2006, the Group acquired ownership interest in the following entities:

	Alasia Polo and Country Resort Limited € '000 (a)	MindCompass Overseas Limited € '000 (b)	XScape Limited € '000 (c)	Latirus Enterprises Limited € '000 (d)	Total € '000	Acquisitions of Minority Interests: Additional acquisition in Alasia Polo and Country Resort Limited € '000 (e)	Acquisitions of Minority Interests: Additional acquisition in XScape Limited € '000 (f)	Total acquisitions € '000
Investment property	63,307	76,238	4,100	32,291	175,936	–	–	175,936
Property, plant and equipment	36	4	12	63	115	–	–	115
Trading properties	–	19,900	–	–	19,900	–	–	19,900
Deferred tax asset	–	399	86	6	491	–	–	491
Cash and cash equivalents	355	8,534	–	109	8,998	–	–	8,998
Deferred tax liability	(12,573)	(11,493)	(1,515)	(7,247)	(32,828)	–	–	(32,828)
Interest-bearing loans	–	(4,000)	–	–	(4,000)	–	–	(4,000)
Finance lease obligation	–	–	(4,100)	–	(4,100)	–	–	(4,100)
Net current assets/(liabilities)	247	2,617	1,780	(17)	4,627	–	–	4,627
Net assets	51,372	92,199	363	25,205	169,139	–	–	169,139
Minority interest	(21,053)	(12,450)	(54)	(6,301)	(39,858)	21,053	2,121	(16,684)
Net assets acquired	30,319	79,749	309	18,904	129,281	21,053	2,121	152,455
Purchase consideration	(12,674)	(45,233)	(72)	(10,724)	(68,703)	(4,000)	(1,573)	(74,276)
Excess of fair value over cost arising on acquisitions	17,645	34,516	237	8,180	60,578	17,053	548	78,179
Analysis of net cash flow and cash equivalents:								
Purchase consideration	(12,674)	(45,233)	(72)	(10,724)	(68,703)	(4,000)	(1,573)	(74,276)
Cash and cash equivalents of acquired companies	355	8,534	–	109	8,998	–	–	8,998
Cash outflow on acquisitions	(12,319)	(36,699)	(72)	(10,615)	(59,705)	(4,000)	(1,573)	(65,278)

(a) Alasia Polo and Country Resort Limited

The Group acquired 59.02% of Alasia Polo and Country Resort Limited, holding company of a development of a polo-integrated residential community near Limassol, Cyprus.

(b) MindCompass Overseas Limited

During the period the Group acquired 85.3% of MindCompass Overseas Limited, holding company of a development of a golf-integrated resort at Kilada, Pelloponissos, Greece.

As a result of the Group's additional cash invested into the Killada Hills project and in accordance with the shareholder agreement mentioned on note 10.4, the minority shareholder's ownership interest in MindCompass Overseas Limited was diluted by 1.6% and the Group's shareholding was increased to 86.9%.

(c) XScape Limited

During the period the Group acquired 85% of XScape Limited, holding company of a development of a golf-integrated residential resort near Volos, Greece.

(d) Latirus Enterprises Limited

The Group acquired 79.656% of Latirus Enterprises Limited, the Cypriot company that owns 94.16% of Iktinos Techniki Touristiki S.A., the Greek company that owns the Sitia Bay Golf Resort project in the island of Crete, Greece.

(e) Alasia Polo and Country Resort Limited

The Group acquired the remaining 40.98% of Alasia Polo and Country Resort Limited for the amount of €4.0 million.

(f) XScape Limited

As a result of the Group's additional cash invested into the Lavender Bay Golf Resort project and in accordance with the shareholder agreement mentioned on note 10.4, the minority shareholder's ownership interest in XScape Limited was diluted by 10.4% and the Group's shareholding was increased to 95.4%.

27. Disposal of shares of subsidiary

During the period, the Group sold a 49% shareholding in Scorpio Bay Holdings Limited for a total consideration of €18 million. The original purchase consideration for acquiring all of the issued share capital of Scorpio Bay Holdings Limited was €20.5 million. This gave rise to a realised gain to the Group of €8 million and a minority interest of €10 million.

28. Commitments

On 31 December 2006, the Group had commitments on the following projects:

	Country	Commitment €'000,000	Investment as at 31 December 2006 €'000,000	Remaining commitments as at 31 December 2006 €'000,000
Kilada Hills	Greece	65.0	47.0	18.0
Scorpio Bay	Greece	9.6	9.6	0.0
Apollo Heights	Cyprus	21.4	16.4	5.0
Amanmila	Greece	5.0	0.1	4.9
Lavender Bay	Greece	46.0	6.4	39.6
Sitia Bay	Greece	24.0	10.6	13.4
Seascape Hills	Greece	30.0	12.0	18.0
Total		201.0	102.1	98.9

29. Post balance sheet events

The Group had the following post balance sheet events:

- The Group has signed an agreement to acquire a 90% shareholding in Livka Bay Resort, situated on the island of Solta, Croatia. Livka Bay Resort is intended to become one of the first exclusive residential resorts on the Dalmatian coast with a luxury hotel, a 160-berth marina and other supporting recreational, sports and retail facilities. The Group is committing a total of €35 million to acquire a 90% shareholding interest in the project company and fund the resorts initial development expenses. The remaining shares are owned by Virtus Investments BV, a developer of high-end resorts.

- Le Monde Asfalistiki S.A. and Egnatia, the two minority shareholders of Scorpio Bay Holdings Ltd, have entered into liquidation proceedings, and, as a result, the €6.5 million loan that Egnatia received from the Group has remained unpaid. The Group has activated the security provisions of the loan agreement and acquired their shareholding interest of 49% on Scorpio Bay Holdings Ltd. As at 22 February 2007, the Group owns 100% of Scorpio Bay Holdings Ltd.

- On 14 February 2007, the Group entered into an agreement to acquire from Mr. George Vernikos, a Greek citizen, the 80% of the share capital of the Greek company, Portoheli Hotel and Marina S.A., the owner of Yiouli Hotel at Porto Heli, for the amount of €2.7 million. Mr. George Vernikos is the father-in-law of Mr. Miltos Kambourides, a non-executive and non-independent director of the Company. Mr. Kambourides has abstained from voting in the Investment Committee meeting where the final decision to acquire the above company was taken.

- On 16 February 2007, as part of the Kilada Hills Golf Resort expansion, the Group acquired Sunset Hotel, including over 8,000 square meters of land, from Mr. Ioannis Roussis, a Greek citizen, for the amount of €4.3 million. Sunset Hotel is located in Argolida, Greece.

Appendix A
Valuation Certificate

Board of Dolphin Capital Investors
Dolphin Capital Partners
Vanterpool Plaza
Wickams Cay 1
Road Town
Tortola
British Virgin Islands

Re: Certificate of Value as of 31 December 2006

Athens, 30 January 2007

Dear Sirs:

In accordance with the terms of our appointment as independent appraisers, we have conducted a valuation of the real estate assets, including land and buildings (the "Assets") belonging to Dolphin Capital Investors Limited (AIM: DCI.L) and certain subsidiaries (the "Company" or "DCI") in Greece and Cyprus. Colliers International Hellas has been instructed by the Company, to offer an opinion of the "Fair Market Value" of the real estate assets owned by the Company in Greece and in Cyprus, namely Kilada Hills Golf Resort, Scorpio Bay Resort, Apollo Heights Polo Resort, Lavender Bay Golf Resort, Sitia Bay Golf Resort and Seascape Hills Resort.

The properties are held for investment and in some instances held for development or are in the course of development.

The purpose of our valuation analysis was to assist Dolphin Capital Investors Limited in establishing the fair market value of the real estate assets.

The value estimates apply as of 31 December 2006 and are subject to the Assumptions and Limiting Conditions contained in our valuation report that was addressed to the management of DCI. In the process of preparing this appraisal we:

- Inspected all the subject properties;
- Relied on information provided by the Company as well as on a previous valuation reports;
- Conducted market research into sales and rental rates for comparable properties; and
- Examined market conditions and analysed their potential effect on the properties.

The function of the valuation is to provide information to the management of DCI regarding the market value of the subject properties for Balance Sheet Reporting and inclusion in the Company's Annual Accounts.

The result of our valuation consulting services does not constitute a fairness opinion or investment advice and should not be interpreted as such. Our valuation report is not intended for the benefit of a Bank or Developer (other than the client) or any other third party and should not be taken to supplant other inquiries and procedures that a Bank or any other third party should undertake for the purpose of considering a transaction with the Company. Accordingly our work product is not to be used for any other purpose or distributed to third parties.

Our real estate valuation analysis is based on the premise that the Company is and will continue as a going-concern business enterprise.

Our valuation consulting services are performed in accordance with generally accepted appraisal standards and in conformance with the professional appraisal societies to which we belong.

The date of valuation has been established as 31 December 2006.

The standard of value is "Fair Market Value", defined as:
"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowingly, and for self-interest, and assuming that neither is under undue duress."

Before any valuation analysis can be made, the appropriate premise of value should be established. The general concept of value can be separated into two categories: value-in-exchange on a piecemeal basis and value-in-use. Value-in-exchange represents the action of buyers, sellers, and investors, and implies the value at which the property would sell on a piecemeal basis in the open market. Value-in-use is the value of special purpose property and assets as part of an integrated facility and reflects the extent to which the assets contribute to the profitability of the operation of that facility or going concern. These two premises can have a significant effect on the results of a valuation analysis.

For purposes of the valuation of the selected assets, we have used the premise of Value-in-Exchange. We have performed no test of earnings and cash flows to verify whether there is a sufficient return on and return of investment in the Assets.

On the basis of our research, study, inspection, investigation and analysis, it is our opinion that the subjects Assets have an estimated “Fair Market Value” as of 31 December 2006.

Our study was conducted in accordance with generally accepted appraisal standards, as set out by the American Society of Appraisers (the “ASA”). The valuation report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the ASA and RICS (the “Royal Institution of Chartered Surveyors”).

Respectfully submitted,

Dimitris Papachristos
Head of Valuation
Colliers International Hellas

Richard Hazell
Managing Director
Colliers International Hellas