

8 December 2012

Dolphin Capital Investors

Year End	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	NAV/share (p)	Disc. to NAV (%)
12/09	90.8	(93.0)	(13.2)	0.0	193	87
12/10	69.9	(53.5)	(7.6)	0.0	173	85
12/11e	50.0	(78.5)	(11.2)	0.0	164	84

Note: *PBT and EPS are normalised, excluding non-cash adjustments to investment and trading properties, intangible amortisation and exceptional items.

Investment summary: Intriguing NAV discount

The shares, at 16% of underlying 164p NAV/share (before deferred tax at end Q3), present a clear option on management's ability to convert its leisure and residential development assets into cash over the medium term. This hinges upon a strategy to complete the initial phases of four advanced schemes in Cyprus, Panama, the Dominican Republic and Greece, to create leisure destinations that attract end purchasers, JV partners and investors and generate positive cashflows as soon as practicable.

Sensitivities: Revenue visibility not helped by markets

Recent statements have been candid regarding the trading environment. Discussions with third-party investors are progressing, but decisions are delayed and debt markets have been on hold for the last few months. Cashflow projections thus incorporate extended development and sales timeframes, but revenue visibility should improve as advanced projects take shape, with the soft launch of Porto Heli due in spring 2012. Restoration of a normal market requires the availability of project and mortgage finance for second home purchases and resolution of the eurozone financial crisis.

Financials: Equity raising to stabilise short-term outlook

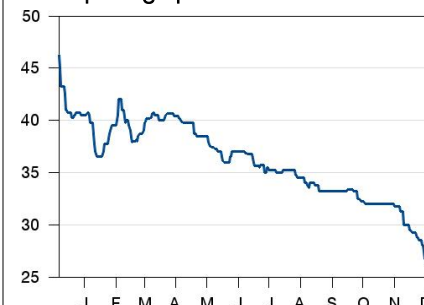
DCI has finance in place to complete at least two of the first phases of its four advanced projects to create the catalyst for buyers and inward investment. At end Q3, group debt was c 24% of total assets, some 82% held within Aristo, primarily long-term, asset-backed loans. Modest gearing provides breathing space until advanced schemes approach more complete condition during 2012/13. The Q3 statement included a proposal to raise another €10m (minimum) to €20m to bolster cash reserves (€26m at the quarter end) via a 27c/share open offer, plus warrants.

Valuation: Optionality of 84% NAV discount

The current equity valuation discounts significant market uncertainty, exposure to Greece (21% of the portfolio) and economic turmoil. The price is substantially below NAV support by the external portfolio appraisal, already reduced materially in recent years. It is also well below the investment manager's 76p/share projection of advanced Phase 1 project revenues over the next five years.

Price 26.0p
Market Cap £166m

Share price graph



Share details

Code DCI
Listing AIM
Sector Real Estate
Shares in issue 638.8m

Price

52 week High 47p Low 26p

Balance Sheet as at 30 September 2011

Debt/Equity (%) 25
NAV per share (p) 164
Net borrowings (€m) 382

Business

Dolphin Capital Investors (DCI) is a leading developer of high-end integrated leisure and residential property developments in the eastern Mediterranean and the Americas (Panama and the Dominican Republic).

Valuation

	2009	2010	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Portfolio assets by geography

Europe 92% Americas 8%

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Investment summary: Current NAV discount anomaly

Company description: Eastern Med and Americas resort developer

DCI was incorporated in the British Virgin Islands in June 2005 and floated on AIM in December 2005. From a standing start it has transformed land acquisitions into large-scale, leisure-integrated residential resorts and progressed complex zoning, permitting, designing and branding. It now has 14 projects in Cyprus, Greece, Croatia, Turkey, the Dominican Republic and Panama, and over 60 smaller holiday home projects in Cyprus and Greece via its subsidiary, Aristo. It is a leading private seafront landowner in Greece and Cyprus, in partnership with architects, golf course designers and hotel operators.

Valuation: 84% NAV discount, seeking catalyst for market recovery

The current, steep discount to NAV incorporates a very negative view of the risks, which include:

- The lack of revenue visibility inherent in early-stage second-home development, particularly in the current market. This should improve in the next 18 months as advanced projects approach critical mass. Short-term concerns may remain over DCI's financial stability, although the proposed €10-20m equity raising should help alleviate these.
- Portfolio exposure to Cyprus, primarily, and to a lesser extent Greece (jointly c 80% of assets). Ironically, both remain attractive destinations for the target market, international second home buyers. The group's locations in the eastern Mediterranean are near ideal European locations for high-end resorts, with strong international demand and growth in tourist arrivals over the past few years. They meet primary criteria for this kind of investment, ie beautiful locations, accessibility, design, branding and services offered.
- The veracity of external asset valuations is difficult to prove in slow, illiquid markets, which lack transactional evidence or the combination of willing buyer and seller upon which the figures are predicated. Conversely, values have already been substantially written down (NAV was 294p/share at the end of FY08) and as first phases of advanced projects approach completion, inward investment or pre-sales may prove underlying valuations.

Sensitivities: The challenges of navigating unpredictable markets

DCI has managed to navigate three to four years of difficult markets relatively intact, progressed development of initial project phases, zoning and permitting. At this stage, when the timing of sales is effectively near impossible to determine, investors must satisfy themselves that DCI can continue to trade through to market recovery in decent shape, without the need for excessively dilutive fund-raising or asset 'fire sales'. That shifts attention back to external asset valuations. If these are reasonably accurate, DCI will eventually benefit as a phased programme of high-end residential and leisure developments appeals to affluent buyers of luxury second homes.

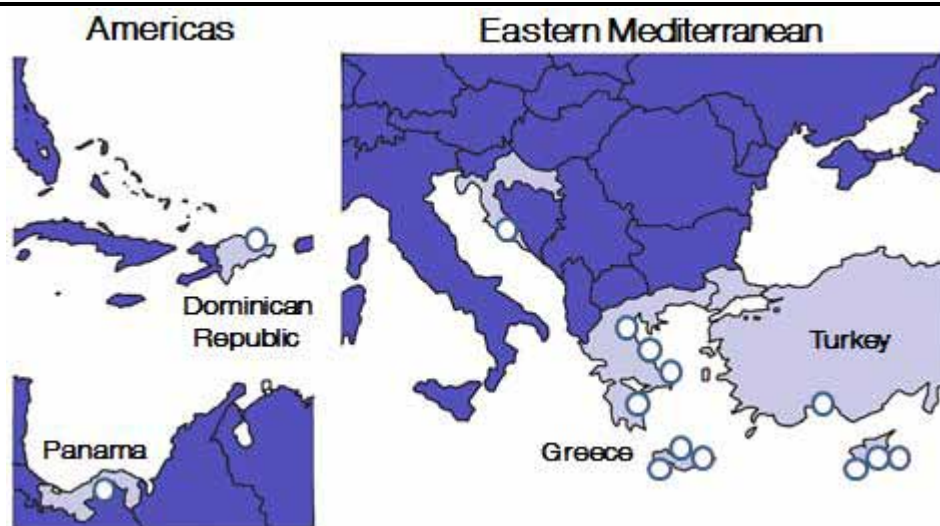
Financials: Sound balance sheet and non-recourse debt

Recent results reflect a development model at relative early stages, with projects yet to achieve positive cashflows. The end Q3 balance sheet was sound, ie €26m cash, 24% group debt to total assets and no bank debt at the group level, ie c 82% held within Aristo, primarily long-term, asset-backed loans. The group is in the process of raising a further €10 (already committed) to €20m of new equity, which will provide breathing space to progress new debt and investment negotiations.

Company description: Integrated resort development

DCI is a leading global investor in residential resorts. It is, measured by net assets, the largest real estate investment company quoted on AIM. It holds a coastal land portfolio – 59km of beachfront in six countries – with current plans for 21 hotels, eight golf courses, five marinas and over 10,000 residential units in high-specification, leisure-integrated residential resorts. The portfolio is located in the eastern Mediterranean, Caribbean and Latin America.

Exhibit 1: Portfolio locations



Source: Dolphin annual report

DCI built a portfolio focused on emerging economies with significant tourist inflow, yet where there were high barriers to entry for foreign investors without a local network. Competition is minimal, with a limited supply of serviced residential resorts managed by luxury international operators. It sought territories – with necessary legislation – committed to nurturing sustainable luxury tourism and a second-home industry. Attractive locations are sought, which appeal to affluent holiday and retirement home buyers, primarily from Europe, Russia, the Middle East and North America.

Significant progress achieved since IPO

The total of €890m has been raised at an average €1.39/share. At end June 2011 it had:

- Invested approximately €782m, on the acquisition of one of the largest seafront developable land portfolios in eastern Mediterranean, Caribbean and Central America.
- 100% ownership of Cyprus SE-listed Aristo, the largest development company and private real estate owner in Cyprus.
- Completed over €390m of total asset sales (€75m in H111), all at above book value.
- Arranged c €399m of new bank debt at various project levels, restructured €173m of other debt and placed US\$40m of five-year convertible bonds to progress development of Playa Grande and Pearl Island.
- Achieved preliminary or final zoning for 12 out of 14 major projects and almost the entire Aristo land portfolio.

Portfolio: Focus on ‘advanced projects’

The group has acquired a number of large coastal land sites with residential development potential, located close to the sea and within driving distance from airports. This land has development capacity for residential units (villas, town houses and apartments) and leisure, such as hotels, golf courses, country clubs, spa facilities, marinas or other sporting facilities. There is also generally potential for comprehensive residential services (food and beverage, concierge services, health services, security, maintenance and property management) and leisure (sports, adventure travel, excursions, spa, arts, culture). The current portfolio is set out below in Exhibit 2.

Exhibit 2: Portfolio structure

Note: £0.89823/€ at 30 June 2011.

Project		DCI Stake %	Investment Cost (€m)	Real Estate Value (€m)	Debt (€m)	LTV %
Advanced Projects						
The Porto Heli Collection						
- The Aman at Porto Heli	Greece	86%	50			
- Other assets	Greece	100%	94			
Venus Rock - Aristo	Cyprus	100%	155			
Playa Grande	Panama	99%	23			
Pearl Island	Dominican Republic	60%	28			
Total (Advanced Projects)			350	791	72	9%
Major Projects						
Sitia Bay	Greece	78%	16			
Kea Resort	Greece	67%	9			
Scorpio Bay	Greece	100%	13			
Lavender Bay	Greece	100%	23			
Plaka Bay	Greece	60%	7			
Triopetra	Greece	100%	4			
Eagle Pine - Aristo	Cyprus	100%	31			
Apollo Heights	Cyprus	100%	17			
Livka Bay	Croatia	100%	23			
Mediterra Resorts	Turkey	100%	29			
Total (Major Projects)			172	324	18	6%
Other Aristo		100%	208	548	334	61%
Total DCI			730	1663	424	25%

Source: DCI interim results to 30 June 2011

Four advanced projects: Potential €550m project cashflow 2012-17

Strategic emphasis is on completion of the four ‘Advanced Projects’ in the above table, specifically initial phases already underway at schemes in Greece, Cyprus, Panama and the Dominican Republic. Projected potential returns (Investment Manager’s forecasts) are set out below.

Exhibit 3: Projected potential returns from advanced projects

€m	DCI stake	Residential			Land Plots		
		Sales	Costs	Cash Profit	Sales	Costs	Cash Profit
Porto Heli	100%	213	(81)	132			
Venus Rock	100%	613	(372)	241	67	(4)	63
Playa Grande	99%	161	(75)	86			
Pearl Island	60%	24	(14)	10	64	(23)	41
Total		1,011	(542)	469	131	(27)	104

Source: DCI interim results to end June 2011

The Investment Manager estimates potential collective profitability for the first phases of these four advanced projects at over €550m of net cash profit, equivalent to c 76p per share generated over the next six years (2012-17). These first phases represent around 35% of the total aggregate build

area for all phases of these four schemes. Within Phase 1 alone of Venus Rock Golf Resort and Pearl Island, there is also 650,000 sqm of plots for sale. Development and sale of the first phases alone represents c 33% of the estimated total profitability of those four schemes. The Investment Manager estimates that full completion, ie all phases of the advanced projects, will generate c €1.8bn of net cash returns, c 244p per share from the sale of all planned residential units and retail land plots over an estimated ten-year period (2012-21). That does not include any profit from the sale or operation of these schemes' leisure components (eg hotels, golf courses, marinas, etc).

Exhibit 4: Advanced schemes – details of first phases

Porto Heli Collection, Greece	<p>One of Greece's most exclusive developments. It comprises a range of high-end, master planned, leisure-integrated residential resorts with panoramic sea views, located within two hours' drive of Athens International Airport.</p> <p>The Aman at Porto Heli is on track for a soft opening in spring 2012, together with the Aman Beach Club and Aman Villas (four under construction)</p> <p>The scheme is the only high-end, branded and serviced residential product in a country in demand from high net worth individuals from Russia, Northern Europe, Middle East and potentially China, as well as Greek expats from the UK and US.</p>	<ul style="list-style-type: none"> • The Aman at Porto Heli, a 38-pavilion hotel and spa • Nikki Beach Hotel (hotel suites and apartments for sale) • Seafront villas (shells and one villa complete, one under construction)
Venus Rock Golf Resort, Cyprus	<p>This differentiated product is Europe's largest residential beachfront resort development and Cyprus's leading high-end golf destination and offers other unique amenities. It is aimed at affluent Russians and high net worth individuals from the Middle East. The scheme is located in Cyprus's leading golf area, between the towns of Limassol and Paphos, next to Aphrodite Hills. It is 10 minutes from Paphos International Airport and an hour from Larnaca International Airport.</p>	<ul style="list-style-type: none"> • Circa 1,000 villas and 264 plots • Two 18-hole golf courses • Two golf club houses • Nikki Beach Club
Playa Grande Club & Reserve, Dominican Republic	<p>The project comprises over 11km of direct coastline, beaches and cliffs overlooking the Atlantic Ocean, with capacity for three luxury hotels, including the first Aman resort in the Dominican Republic and over 500 luxury units.</p> <p>It will be the first golf integrated Aman resort in the world and should attract interest from North and South America and Europe. DCI identifies no comparable villa product in the DR serviced by a luxury brand such as Aman resorts. High-end villas of a lower standard recently sold in competing resorts (Casa de Campo and Punta Cana) at above \$5m. This scheme includes a golf course and unspoiled nature reserve. It is located on the DR's northern coast, between Cabrera and Rio San Juan, an hour's drive from two international airports.</p>	<ul style="list-style-type: none"> • Renovation of existing golf course • 30-suite room Aman Hotel • The Playa Grande Aman Beach Club • 38 Aman Villas serviced by the Aman Hotel
Pearl Island, Archipelagos de las Perlas, Panama	<p>Located on a private island with c 30km of coastline and 14 private beaches, less than 40 nautical miles from Panama City. The full scheme will include at least three luxury five-star hotels, a 500-berth marina, c 1,100 luxury residential units, retail space, a private nature reserve and an international airport.</p> <p>DCI reports demand from the emerging economies of Central and Latin America, particularly from Panamanians, Colombians and Venezuelans. As the facilities of Phase 1 approach completion, it also anticipates seeing more interest from North Americans seeking a change from more crowded Caribbean destinations. A comprehensive PR and marketing campaign was launched in September.</p>	<ul style="list-style-type: none"> • Zoniro Lodge with beach club, spa and other leisure facilities • 40-berth, 30 dry dock marina • Approximately 120 residential units (villas and plots)

Source: Dolphin Capital Investors

The group's remaining portfolio, planned for development over the next 10-15 years, includes assets within DCI's largest subsidiary Aristo Developers, the leading developer and private land owner in Cyprus and DCI's 10 other leisure-integrated residential resort projects.

These projects should also see increases in book value as they proceed through their permitting/design phases. The Investment Manager puts estimated total portfolio net cash generation potential at over €4.4bn over the next 10-15 years.

Market dynamics: Benefit of differentiated leisure offer

DCI's strategy is to focus upon creation of leisure integrated resorts (LIRs). It remains convinced that this premise is valid for its selected sectors and specific geographies. It can identify no other LIR in Greece other than Costa Navarino, which does not offer residences for sale. The situation is broadly similar in Cyprus where Aphrodite Hills, the only comparable product, is essentially fully sold. There are also very limited supplies of LIRs or serviced real estate in Croatia and Panama.

Although there is additional supply from existing projects in the Dominican Republic, Playa Grande offers superior quality and site appeal, as the world's only Aman golf-integrated resort.

Portfolio well-placed to capitalise on shifting leisure trends

The group portfolio is positioned to leverage increased appetite for luxury goods and holidays from increasingly wealthy emerging markets (China, Russia, India, Brazil). The tourism and hotel industry is expected to benefit; Market Probe of the Travel & Tourism Group estimates that there are c 1m affluent Chinese luxury tourists, a figure expected to continue to grow in the next few years.

Recent economic turmoil has clearly affected the dynamics of the group's core markets, delayed commitments and conceivably, shifted some potential purchasers' appetites away from second homes towards safer havens. Others will have delayed decisions on major purchases until markets settle, especially if this involved the assumption of related debt.

Tourist activity remains relatively buoyant

Tourism has held up well in key DCI markets despite pressure on consumers, as emerging markets pick up the slack from more traditional sources of visitors.

- Greece saw a c 10% y-o-y increase in tourist arrivals from January-September 2011 (source: SETE) and the total for the current year is ahead of the previous record (2007). This underlines the country's competitive advantages and status as one of the world's leading tourist destinations, despite recent negative publicity.
- Cyprus has seen a 13% y-o-y increase in tourist arrivals during January-July 2011 (Republic of Cyprus Statistical Service).
- Tourist visits to Croatia and Turkey, DCI's other Mediterranean markets, were also materially ahead, benefiting from growth in Russian and Chinese international travel, overall increases in world tourism and the impact of recent political turbulence in Egypt, Libya, Syria and Tunisia, which shifted tourists to the group's markets.
- Relevant Central American and Caribbean markets have also seen strong growth this year. Tourist arrivals in Panama were 0.97m in H111, ahead by 11.1% y-o-y. Panama is among Latin America's top-performing economies, with government focus on sectors such as tourism – currently the single largest contributor to GDP – where it believes Panama has competitive advantages, as well as construction and banking.
- Tourist visits to the Dominican Republic were 3.5% ahead to 3m in the first seven months of 2011. It is the top tourist destination in the Caribbean and GDP is forecast to grow by c 5.5% in 2011, underpinned by expansion in both tourism and the real estate industry.

Sensitivities: Cashflow subject to material variables

Investors comfortable with the core investment case will need to satisfy themselves on two fronts. Firstly DCI's ability to roll out its schemes into difficult markets that negatively impact unit sales, inward investment and access to new development finance. Secondly that underlying asset values are realistic and attainable, even in an unhelpful market. Regarding the latter, the figures have already been adjusted for market deterioration, with land acquired at prices well below south-west European and North American equivalents.

With limited visibility on sales revenues at this point the key considerations are its ability to 1) meet financial obligations, ie debt service/amortisation and admin, 2) access cash and facilities to cover development of initial phases of advanced schemes (so as to attract potential buyers and generate positive cashflows), and 3) if required, agree extensions to existing debt facilities as they mature.

In order to show how cashflows should build as schemes approach maturity, we set out below an indicative cashflow scenario, after discussion with DCI. The basic assumptions are as follows:

- Modest levels of sales during 2012 (despite the soft launch of The Aman at Porto Heli) and pick-up in 2013 post completion of advanced project first phases, when DCI should also receive first revenue contributions from operation of hotels and other leisure facilities.
- Conservative project phasing (residential construction financed via pre-sales) and modest access to new project finance until H212.
- No contribution from intermediary project sales or exits. We regard this as highly conservative. There is a high probability that these sources will contribute significant cashflows if market conditions ease.
- This leaves a substantial untouched asset base, ie subsequent phases of the four 'advanced projects' and all other potential developments currently on hold. The Investment Manager estimates that the first phases will contribute around a third of the estimated total profitability of the advanced schemes and that full completion, ie all phases, will generate c €1.8bn of net cash, c 244p/share, from sale of planned residential units and retail land plots over a 10-year period (2012-21).

Exhibit 5: Projected cashflows

		2012e	2013e	2014e	2015e
Unit sales	Villas	65	140	165	360
	Lots	55	75	90	25
	Porto Heli	14.5	25.0	36.5	14.5
Net cashflows	Venus Rock	0.7	12.0	64.0	107.5
	Playa Grande Club	(21.5)	(7.5)	14.5	18.0
	Pearl Island	(6.5)	(0.3)	5.2	7.7
	Other costs	(2.5)	(2.9)	(5.6)	(4.5)
	Total - Advanced Projects	(15.3)	26.4	114.6	143.2
Other asset sales	Mediterra Projects - Turkey	(0.4)	0.7	2.9	5.3
	Aristo	1.2	3.2	14.5	34.4
		0.8	3.9	17.4	39.7
Corporate expenses	Accounting & legal	(1.1)	(1.1)	(1.1)	(1.1)
	Finance costs	(1.7)	(1.6)	(1.2)	(0.8)
	Fixed overheads	(1.5)	(1.5)	(1.5)	(1.5)
	DCI management fees & expenses	(21.3)	(21.4)	(21.1)	(21.1)
	Total expenses	(25.6)	(25.6)	(24.9)	(24.5)
	Project loan drawdowns	25.0	25.0	15.0	15.0
		(40.1)	4.6	107.1	158.4

Source: Edison Investment Research estimates

Financials

The recent trading update confirmed that Q3 was, unsurprisingly, difficult. Prolonged discussions continue in respect of potential third-party investment and joint ventures for the leisure and retail elements of advanced schemes, but there was no news of transactions. With the financing market effectively shut for the last couple of months, there were further delays in securing project debt.

There was a further reported decline in the Cyprus housing market and a 30% fall in Aristo sales to €5.6m for September to November. That also reflected discounted offers taken up by bargain hunters, likely to characterise market activity during the next quarter as well.

With the prospect that the eurozone economic crisis may continue to delay plans to raise project finance, generate sales, or secure early asset exits, the group announced plans to raise between €10m and €20m via the issue of new equity at 27p/share, plus warrants to apply for new shares (one for four at 35p/each over the next five years). The strategy remains to maintain modest balance sheet gearing, accelerate the four advanced projects to achieve positive cashflows as soon as practicable and progress other schemes, ie seek permits and complete designs to speed up their saleability and/or development potential.

Circa €80m of other asset sales in first eight months of FY11

DCI has secured c €390m of asset sales to date, above reported NAV of respective assets. There were no new investments in the first eight months of 2011 and €75m of asset sales including:

- DCI's 50% stake in Kings Avenue Mall project in Central Paphos for €39.5m – the purchaser paid €15m cash and assumed €24.5m of debt. The net consideration represented a premium of 13% to project NAV, 31% to DCI's allocated investment cost.
- €27.4m sale of 137 homes and plots by Aristo in the first 11 months of 2011. Sales for September to November were €5.6m and 38 homes, respectively 30% and 14% below the figures for the same period last year
- US\$9m sale of 14 lots in the first Founders phase of Pearl Island, €5.3m for an Aman Villa at the Aman at Porto Heli and €0.4m from sales of two homes at LaVanta, Turkey.

Balance sheet: Group debt to total assets 24% at end September

Financial stability is pivotal to the investment case. Exhibit 6 sets out debt maturity for the next five years. DCI has relationships with major local banks in Greece and finance in place with Bank of Cyprus for construction of the Aman hotel. Its long-term banking relationships have enabled it to negotiate and restructure loans where necessary. The ratio of group debt to total assets remains low at 24% with approximately 82% of the total held within Aristo, mostly long-term, asset-backed loans.

Exhibit 6: Debt maturity schedule

	€m	Debt maturity			
		Total Debt	Less than one year	Two to five years	Over five years
€		343.5	52.4	247.7	43.4
US\$ loans		18.4	3.5	11.4	3.6
€ bank overdrafts		31.2	31.2	0.0	0.0
Convertible bonds		27.8	0.0	27.8	0.0
		421.0	87.2	286.8	47.1

Source: DCI interim results to end June 2011

Cash balances were c €26m as at the end of September. All debt is secured on individual projects, with none at the company level. However, DCI has provided interest service guarantees for the €33m construction facility for the Aman at Porto Heli. Earlier this year the holding company for DCI's Playa Grande project placed US\$40m of five-year, 7% convertible bonds, guaranteed by DCI. These are convertible into shares at US\$0.7998 (50p at a fixed rate of US\$1.5995/£) or into pre-defined Aman lots (from the first Golf Aman Resort phase developed at Playa Grande) at a c 40% discount to retail prices. The proceeds will be mainly allocated to progress development of the first phase of Golf Aman Resort at Playa Grande and Founders' phase of Pearl Island.

Cashflow projections: Important nine-month period to mid-2012

Investment in the advanced schemes should improve cashflows over the next 12 months.

Construction of main infrastructure and leisure facilities for initial phases is scheduled by end 2013, by which time they are also expected to become cashflow positive from the sales of residences, ie:

- Sales have already been secured at The Aman at Porto Heli. It is due for completion by spring 2012 and expected to be cashflow positive thereafter, from sales of Aman Villas.
- Venus Rock plans to launch sales of its new development segments in spring 2012.
- Playa Grande plans to release a select number of Aman Villas for sale in early 2012.
- Pearl Island has already started Founder Lot sales.

We have broad estimates of costs for first phases of the four advance projects (Exhibit 5), but DCI has not disclosed detailed project expenses, phasing or costs for obtaining zoning or planning consents. These would be subject to variation depending on demand for individual schemes.

Management fees

The Investment Manager, Dolphin Capital Partners Limited, is entitled to a management fee of 2% pa of the equity funds, ie €884m plus the gross proceeds of further equity issues (excluding the latest issue) and realised net profits, less shareholder distributions. The fee was €17.8m in 2010 (FY09: €17.6m). A performance fee is also payable based on net realised cash profits, subject to a hurdle of 8% pa compound, adjusted for realised losses and/or write-downs on other investments. The total performance fee for FY10 was €0.25m (FY09: €0.54m), 50% of which is held in escrow.

Valuation

By implication, an 84% discount to 164p/share end Q3 NAV/share suggests that investors a) question the veracity of external valuations/ability to sell assets at those prices in the current market; b) anticipate longer development and sales timeframes for advanced schemes and other assets, so apply higher discounts to future cashflows; or c) believe that DCI will need to sell a proportion of its holdings below book value in a 'buyer's market'. Downward pressure has been constant despite the tightly held equity (82.4% held by the top eight shareholders). There is no suitable peer group to match the scale, business model or geographical mix, although other real estate companies at comparable discounts to NAV share a niche focus on international assets.

The NAV impact of recent adjustments to portfolio value is set out below, after further negative adjustments to the value of the portfolio during H111, net of increases post permitting advances at Pearl Island and Kea Resort. There was a further €3m decline in Q3, due to regular operating

expenses, offset by appreciation of US dollar-denominated holdings due to euro weakness and increases in the value of Aristo assets due to zoning changes.

Exhibit 7: Net asset value at 30 June 2011

Note: £0.89823/€ at 30 June 2011.

			Variation since 31 December 2010		Variation since 30 June 2010	
	€	£	€	£	€	£
Total NAV before deferred income tax (m)	1,206	1,084	(4.5%)	0.1%	(9.5%)	0.4%
Total NAV after deferred income tax (m)	1,090	979	(4.7%)	(0.1%)	(9.9%)	(0.1%)
NAV/share before def. tax	1.89	1.70	(6.3%)	(1.7%)	(11.1%)	(1.4%)
NAV/share after def. tax	1.71	1.53	(6.4%)	(1.9%)	(11.5%)	(1.9%)

Source: DCI interim results to 30 June 2011

NAV figures do not take into account potential future performance fee payments. Also, the stated €120m deferred tax liability is applicable only in the event of a direct sale of land or assets and thus all disposals expected to take place via the sale of shares in the holding SPV to avoid the deferred tax liability. NAV before DITL is thus arguably the more relevant figure.

DCI's developments remain at relatively early stages of completion, so there is uncertainty over short-term demand for high-end leisure property. Investors may choose to adjust NAV figures for further downgrades in the value of major elements of the portfolio, notably Greek assets; assume that no further development takes place beyond the advanced portfolio; or incorporate conservative levels of sales over the next two years. These scenarios generate their own variables, but any 'back of the envelope' exercise produces cashflows that more than underpin the current share price. The ongoing eurozone crisis may affect buyer confidence and, indeed, bank capacity or appetite for further property exposure. Political risks are perceived to pivot upon Greece and are to some extent already priced into the current discount, and Colliers' valuation. We estimate that another 50% hit to the value of DCI's Greek assets would be equivalent to a c 20p fall in group NAV/share.

External appraisals carried out by Colliers International

NAV is derived from a portfolio appraisal carried out at end June by Colliers International, which valued each subject property relative to conditions in its local real estate markets. It valued all sites above their acquisition cost, but a deliberately conservative approach attributed relatively little added-value to successful zoning, permits and other planning consents.

Colliers carried out four approaches to assessing value: replacement cost, direct sales comparison (based on current market evidence), income (DCF assessment of the prospective economic benefits of ownership) and residual value for land holdings (estimated sales value of completed schemes less all development costs). Each technique produced separate indicative valuations for each property, which are then reconciled to contrast the relative merits and limitations of each. Primary weight is placed on the techniques considered to be most reliable, given all factors.

As at end June, the advanced projects represented less than 50% of group NAV. The estimate of the collective profitability of the first phases of these schemes is c €540m or 76p/share over the next five years, which assumes no profit generated from the leisure components. Initial phases represent under 30% of total advanced project development profitability; all phases produce total project profitability of c 244p/share over the next decade. As completion of the first phases will include major infrastructure, underlying cashflows from asset sales should enable DCI to proceed with subsequent phases without the need for additional equity.

Exhibit 8: Financial summary

Year end 31 December	€'000s	2009 IFRS	2010 IFRS	2011e IFRS
PROFIT & LOSS				
Revenue		90,843	69,912	50,000
Cost of Sales		(94,276)	(60,018)	(44,500)
Gross Profit		(3,433)	9,894	5,500
EBITDA		(71,318)	(37,108)	(49,450)
Operating Profit (before amort. and except.)		(72,884)	(39,052)	(51,450)
Goodwill & intangible Amortisation		(628)	0	0
Other income		38,056	18.1	0
Gain/(loss) on portfolio revaluation/other impairment		(131,153)	(24,918)	(42,500)
Operating Profit		(166,609)	(63,789)	(93,950)
Net Interest		(20,111)	(14,418)	(27,000)
Profit Before Tax (norm)		(92,995)	(53,470)	(78,450)
Profit Before Tax (FRS 3)		(186,720)	(78,207)	(120,950)
Tax		19,518	5,940	8,500
Profit After Tax (norm)		(73,477)	(47,530)	(69,950)
Profit After Tax (FRS 3)		(167,202)	(72,267)	(112,450)
Average Number of Shares Outstanding (m)		583.2	627.4	636.0
EPS - normalised (c)		(13.2)	(7.6)	(11.2)
EPS - normalised and fully diluted (c)		(13.2)	(7.6)	(11.2)
EPS - (IFRS) (c)		(29.3)	(11.6)	(17.9)
Dividend per share (c)		0.0	0.0	0.0
Gross Margin (%)		(3.8)	14.2	11.0
EBITDA Margin (%)		(78.5)	(53.1)	(98.9)
Operating Margin (before GW and except.) (%)		(80.2)	(55.9)	(102.9)
BALANCE SHEET				
Fixed Assets		1,469,749	1,387,002	1,320,000
Intangible Assets		0	0	0
Tangible Assets		1,380,457	1,275,974	1,225,000
Investments		89,292	111,028	95,000
Current Assets		395,884	402,655	429,444
Stocks		284,107	339,461	310,000
Debtors		48,860	33,412	50,000
Cash		62,917	29,782	25,000
Other		0	0	44,444
Current Liabilities		(164,233)	(157,413)	(143,000)
Creditors		(83,188)	(63,478)	(56,000)
Short term borrowings		(81,045)	(93,935)	(87,000)
Long Term Liabilities		(447,936)	(447,867)	(492,000)
Long term borrowings		(289,423)	(293,444)	(340,000)
Other long term liabilities		(158,513)	(154,423)	(152,000)
Net Assets		1,253,464	1,184,377	1,114,444
CASH FLOW				
Operating Cash Flow		(120,239)	(52,800)	(44,311)
Net Interest		(18,523)	(18,396)	(27,000)
Tax		(1,147)	(2,558)	(1,100)
Capex		0	0	0
Acquisitions/disposals		8,1410	20,562	27,000
Financing		850	1,086	1,000
Dividends		(1,305)	0	0
Net Cash Flow		(58,954)	(52,106)	(44,411)
Opening net debt/(cash)		248,597	307,551	357,597
HP finance leases initiated		0	0	0
Other		0	2,060	8
Closing net debt/(cash)		307,551	357,597	402,000

Source: Edison Investment Research, Dolphin Capital Investors accounts

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
N/A	N/A	N/A	Litigation/regulatory	●
			Pensions	○
			Currency	◐
			Stock overhang	○
			Interest rates	◐
			Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 07-11e	N/A	ROCE 10	N/A	Gearing 10	30.2	Address:	
EPS CAGR 09-11e	N/A	Avg ROCE 07-11e	N/A	Interest cover 10	N/A	Vanterpool Plaza	
EBITDA CAGR 07-11e	N/A	ROE 10	N/A	CA/CL 10	2.6	Wickhams Cay1	
EBITDA CAGR 09-11e	N/A	Gross margin 10	N/A	Stock turn 10	N/A	Phone	+30 210 3614255
Sales CAGR 07-11e	N/A	Operating margin 10	N/A	Debtor days 10	174	Fax	+30 210 3614243
Sales CAGR 09-11e	N/A	Gr mgn / Op mgn 10	N/A	Creditor days 10	328	www.dolphinci.com	

Principal shareholders		%	Management team
Real Yellow		20.8	Miltos Kambourides, Managing Ptr, Dolphin Capital Partners
Silver Capital Holdings		15.2	Founder and managing partner of Dolphin Capital Partners. A founding member of Soros Real Estate Partners formed 1999 by George Soros. Deal leader and a founder of Mapeley Ltd. Spent two years at Goldman Sachs' Real Estate Principal Investments Area (1997-99). He has three degrees from MIT and is a member of the World Travel & Tourism Council.
Blackrock Investment Management		13.1	
Dolphin Capital Holdings		10.4	
Scottish Widows Investment Partnership		9.0	
Fortress Investment Group		5.2	
Standard Life Investments		5.0	Pierre Charalambides, Partner, Dolphin Capital Partners
			Co-founder of Dolphin Capital Partners. He worked with Miltos Kambourides at Soros Real Estate Partners and prior to that was an M&A associate at JP Morgan. He was a founding member of Hilton International's Corporate Development team and managed new development projects internationally. He holds an MBA from INSEAD.
Forthcoming announcements/catalysts		Date *	Chairman: Andreas Papageorghiou A practising lawyer in Nicosia, Cyprus, Mr Papageorghiou was called to the English Bar in 1959 (Gray's Inn) and subsequently practised law from 1959-63. From 1963-78 he was internal legal adviser and subsequently senior manager of Legal & Trustee Services of the Bank of Cyprus group. From 1978-80 he was the minister of commerce and industry of the Republic of Cyprus and from 1981-93 he was general manager of the Cyprus Housing Finance Corporation.
Q3 NAV & Trading		November 2011	
Final results		March 2012	
Q1 NAV & Trading update		June 2012	
Interim results		September 2012	
<i>Note: * = estimated</i>			

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