Dolphin Capital Investors

ANNUAL REPORT YEAR ENDED 31 DECEMBER 2017

places to know

Welcome to Dolphin Capital Investors Annual Report 2017.

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Front and back cover: Kea Island

go to page 18 for information

Financial highlights *as at 31 December 2017*

GROSS ASSETS

€395m

2016 €466m

2017 €395m

Gross Assets of €395 million (31 December 2016: €466 million).

TOTAL GROUP NET ASSET VALUE ('NAV')

€223m

before deferred income tax liabilities ('DTL')

2016 €265m

2017 €223m

Total Group Net Asset Value ('NAV') of €223 million and €194 million before and after Deferred Tax Liabilities ('DTL') respectively. This represents a decrease of €42 million and €40 million (15.8% and 17.0%) respectively, against the 2016 year-end figures.

NAV reduction principally due to:

- year-end valuation writedowns and impairment charges of €19 million on the DCI asset portfolio; and
- depreciation charges and other operational, corporate, finance and management expenses.

TOTAL GROUP CASH

€13.8m

Total Group cash as of 4 May 2018 was €13.8 million (31 December 2017: €2.7 million).

STERLING NAV PER SHARE

22p

before deferred income tax liabilities ('DTL')

2016 25p

2017 22p

Sterling NAV per share as at 31 December 2017 stood at 22p before DTL and 19p after DTL, versus 25p and 22p, a 12.7% and 14.0% decrease before and after DTL respectively, compared to 31 December 2016. The decrease, mainly reflecting the factors mentioned above, was partially offset by a 3.6% appreciation of the Euro versus Sterling.

TOTAL DEBT

€98m

Group total debt to gross assets ratio of 25%

2016 €101m

2017 €98m

Total Debt of €98 million with a Group total debt to gross asset ratio of 25% (2016: 22%). DCI itself does not have any borrowings. The Group debt is at project level on a non-recourse basis.

OPERATIONAL HIGHLIGHTS

- Completion of Pearl Island sale
- Investment by One&Only into the Kéa project
- Disposal of interest in Sitia Bay Resort
- Sale of Triopetra

For more detail, see Investment Manager's Report page 07

We have been a leading global investor and developer in the residential resort sector in emerging markets.

We have acquired large seafront sites of striking natural beauty in the eastern Mediterranean, Caribbean and Latin America and developed or permitted them to become sophisticated leisure-integrated residential resorts, in partnership with some of the world's most recognised architects, golf course designers and hotel operators.

Dolphin is managed by Dolphin Capital Partners, an independent real estate private equity firm.

AMANZOE, PELOPONNESE, GREECE

"Located on Greece's Peloponnese peninsula, Amanzoe was the first Aman hotel to have branded residences in Europe. Its 95 hectares of herb-scented grounds above Porto Heli on the Aegean Sea house 38 private hotel pavilions alongside classically inspired homes for purchase or rent."

FT How to spend it

www.howtospendit.ft.com

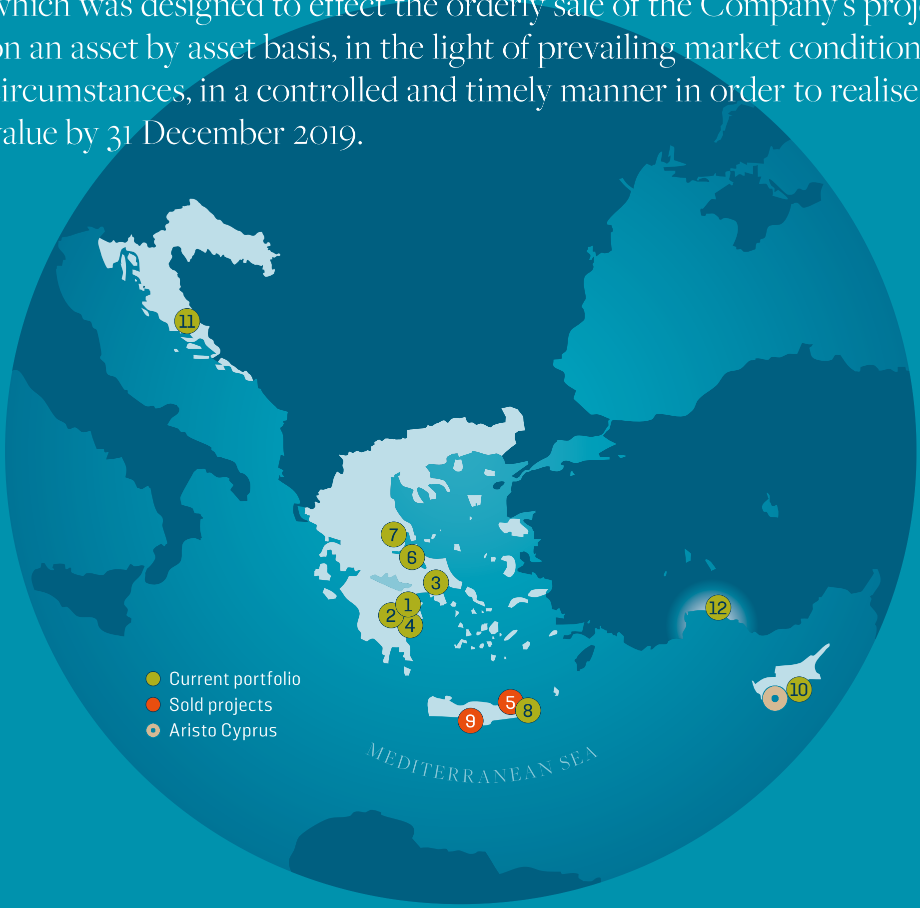
destination wonder

go to page 12 for information on Amanzoe, Greece

Dolphin at a glance

Dolphin's portfolio is currently spread over approximately 33 million m² of prime coastal developable land in Greece, Cyprus, Croatia and Turkey.

The Company adopted the New Asset Strategy in December 2016, which was designed to effect the orderly sale of the Company's projects on an asset by asset basis, in the light of prevailing market conditions and circumstances, in a controlled and timely manner in order to realise their value by 31 December 2019.



	PROJECTS page 11	Land site (hectares)	DCI's stake
#1	Amanzoe	93	100%
#2	Kilada Hills Golf Resort	235	100%
#3	One&Only Kéa Island	65	67%
#4	Nikki Beach Resort & Spa	1	25%
#5	Sitia Bay Golf Resort*	270	78%
#6	Scorpio Bay Resort	172	100%
#7	Lavender Bay Resort	310	100%
#8	Plaka Bay Resort	442	100%
#9	Triopetra**	11	100%
#10	Apollo Heights Polo Resort	461	100%
#11	Livka Bay Resort	63	100%
#12	La Vanta – Mediterra Resorts	8	100%
	Aristo Cyprus	1,448	48.7%
	TOTAL	3,579	

* Sold in April 2018
** Sold in February 2018

Chairman's statement

I am pleased to report Dolphin's financial results for the year ended 31 December 2017 and to provide a trading update.

"The Company made significant progress in pursuing its divestment strategy by disposing of a number of portfolio assets during 2017. As investor sentiment for Greece is beginning to improve, we hope to optimise the opportunities which this presents as we seek to realise further sales during 2018."

Andrew M. Coppel

Total Group NAV as at 31 December 2017 was €223 million and €194 million before and after DTL respectively. This represents a decrease of €42 million (15.8%) and €40 million (17.0%), respectively, from the 31 December 2016 figures, which is mainly due to the valuation write-downs, depreciation and regular operational, corporate, finance and management expenses.

The resulting loss after tax for the period ended 31 December 2017 attributable to owners of the Company amounted to €32 million compared to €244 million for the period ended 31 December 2016. The loss for the year was mainly due to the €19 million year-end net valuation reduction and impairment charges, as well as the Company's overhead and finance expenses.

Further details on the financial performance of the Company during the period are included in the Financial Position section of the report.

The likely completion of Greece's third financial assistance programme in August 2018, which is expected to mark the termination of the country's eight-year reliance on EU financial stability funds and its return to a stronger economic footing, together with the record tourist arrivals recorded during 2017 in both Greece and Cyprus, are expected to further enhance the appeal of local hospitality assets to international investors and facilitate the Company's divestment efforts.

During the period, we completed the full divestment of our assets in the Central American region, with the exception of our shareholding in Itacaré, and, together with the Investment Manager, continued the strategy of the orderly and controlled disposal of the Group's assets. The Company achieved the following:

- the completion of the disposal of the Company's interest in Pearl Island (Panama), receiving €27 million cash consideration in March 2017;
- the sale of Dolphin's investments in Sitia Bay and Triopetra for €14 million and €4.1 million respectively in early 2018; and
- a joint venture co-operation agreement for the development of the One&Only Kéa Island in November 2017.

The termination of our agreement to sell our 49.75% shareholding in Aristo in May 2017 was a setback to our divestment programme. However, as the deferred payments were not settled in accordance with the agreed terms, the Board considered that this was the only available option to safeguard the value of the Company's investment in Aristo. We are, nonetheless, pleased with the 2017 performance of the Aristo business, which substantially improved, realising c. €74.7 million of total sales versus c. €42.3 million in 2016, an increase of 76%. Sales in the first four months of 2018 have been satisfactory. We will continue our efforts to realise value for DCI from its shareholding in Aristo and are encouraged by its solid operational results.

Amanzoe's hotel operating performance improved further during 2017 and its net operating income ('NOI') continued its trend of steady annual increases since first opening. The encouraging performance of Amanzoe, together with the completion of the Kilada Hills development entitlements through the expected issuance of its urban planning decision during 2018, should significantly enhance their value.

The Board and the Investment Manager will continue their efforts to increase working capital and shareholders' returns through the monetisation of assets, as investor sentiment for Greece, in particular, improves. We believe that further tangible results can be achieved within the current year.

Andrew M. Coppel CBE, Chairman

Dolphin Capital Investors

Investment Manager's Report

Unlocking value for shareholders and implementing the new asset strategy are our key areas of focus.

Investment Manager's Report

"Whilst it was disappointing that the Aristo disposal agreement was terminated early in 2017, we made good progress elsewhere: we completed the disposal of Pearl Island and concluded a joint venture agreement with One&Only for Kéa, as well as selling our interests in Sitia Bay and Triopetra.

We also recorded continued improvement across the Amanzoe and Aristo operations.

Dolphin's investments are now concentrated in the eastern Mediterranean region, principally in Greece and Cyprus, areas which are benefiting from economic recovery and political stability, which are key prerequisites for further asset sales."

Miltos Kambourides
Founder of Dolphin
and Managing Partner
of DCP

Unlocking value for shareholders and implementing the new asset strategy are our key areas of focus.

During 2017 we:

- executed a number of significant divestments;
- entered into a joint venture transaction to enable the development of the Kéa project with no incremental investment by Dolphin;
- progressed the entitlement status and development potential of several of the remaining assets; and
- progressed a number of discussions to monetise the Group's portfolio assets and explore joint venture options.

Our achievements in 2017 and Q1 2018 can be summarised as follows:

- Completed the disposal of Sitia Bay Resort in Q1 2018 for a total cash consideration of €14 million, which is equal to the project's latest NAV.
- Completed the disposal of the Triopetra project in Q1 2018 for a total cash consideration of €4.1 million, which exceeds the project's latest NAV.
- Executed a joint venture agreement in Q4 2017 for a €16 million cash equity investment by One&Only into the Kéa Island project, which on completion will be used for the development of the One&Only Kéa Island resort, in consideration for a 40% shareholding in the project.
- Executed the divestment of the 60% interest in Pearl Island to Grivalia Hospitality S.A. in Q1 2017 for a €27 million cash consideration (implying a €63 million enterprise value).
- Generated improving revenue and NOI in Amanzoe, which exceeded 2016 by more than 55%.

"We are thrilled to be partnering with One&Only, a global leader in luxury resorts, to develop One&Only Kéa Island, which is expected to set a new standard of ultra-luxury resorts in the Cyclades.

Our goal is to create another world class asset which, together with Amanzoe, will comprise two of the top resorts in the Mediterranean and will epitomise the quality and potential of the Greek hospitality market."

Divestments

Pearl Island: Following the advances achieved in the project's permitting and financing, on 17 January 2017, the Company entered into a sale agreement for the disposal of its 60% interest in Pearl Island to Grivalia Hospitality S.A. The sale was completed on 13 March 2017 for a cash consideration of €27 million. The cash consideration on disposal (before related taxes and fees) of €27 million represented a discount of 7% on the Company's €29 million cost of investment in Pearl Island. The implied transaction enterprise value of €63 million was at a 32% discount to DCI's gross asset carrying value as at 30 June 2016. Dolphin received the final €2 million balance of the total consideration on 14 March 2018, when the 12 month escrow period elapsed without any tax liabilities, breach of warranties or undisclosed indebtedness arising.

One&Only Kéa Island: On 1 November 2017, DCI, through its relevant project subsidiary companies, entered into an agreement for a €16 million cash equity investment by One&Only into the Kéa project for a 40% shareholding in the project, which will be deployed in the development of the One&Only Kéa Island. The terms of the transaction include the operation of the resort and the residences by One&Only (or its designated affiliates) through long-term management and branding agreements. DCI and One&Only have been co-operating to meet certain conditions precedent in order to enable the completion of this JV agreement.

Sitia Bay Resort: On 18 January 2018, Dolphin entered into an agreement for the disposal of its 77.8% interest in the Sitia Bay Resort project for a total consideration of €14 million, which is equal to Sitia Bay's NAV after DITL included in DCI's financial statements as at 30 June 2017. The full consideration was received by the Company and the disposal was completed on 3 April 2018.

Triopetra: On 5 February 2018, the Company sold its 100% interest in the Triopetra project for a total cash consideration of €4.1 million.

We continued to seek to divest Scorpio Bay, Plaka Bay, Lavender Bay and La Vanta, but no notable progress was achieved during the period.

Operations

Amanzoe: Performance improved in 2017 by increasing occupancy to 71% (2016: 62%) and generating an Average Daily Rate ('ADR') of €1,344 and a Revenue per Available Room ('RevPAR') of €954 (2016: €1,242 and €772 respectively).

Aristo: Aristo sold 143 homes and plots during 2017, representing total sales of €74 million, up 76% compared to 2016. In parallel, Aristo was successful in restructuring €44 million of loan liabilities with Hellenic Bank through debt to asset swaps during the period. Together with other loan principal repayments, Aristo achieved a reduction in overall bank debt as at 31 December 2017 to €60 million (2016: €127 million).

Kilada Hills Golf Resort: Planning permitting process has reached its final stage and the project is expected to receive formal approval by the end of May 2018. This will facilitate the commencement of infrastructure and golf course works and allows for the submission for approval of construction permits for the residential units.

Board changes:

Following the divestments achieved during the period and in view of the Company's smaller portfolio, the Board agreed to reduce the number of non-executive directors. Accordingly, Robert Heller and Sue Farr stepped down from the Board with effect from 25 January 2018. Currently, the Board comprises Andrew Coppel, Graham Warner, Mark Townsend and Miltos Kambourides.

Market dynamics

According to the Wealth Report 2018 by Knight Frank, the number of ultra-wealthy people (those with net assets of US$50 million or more) rose by 10% in 2017. That 10% raise in the ultra-wealthy population marks a notably more rapid rate of growth than in the previous five years, where there was a cumulative 18% increase. Looking ahead, there are likely to be an increasing number of economic and geopolitical headwinds, not least monetary tightening globally. However, ultra-wealthy numbers are expected to continue to grow in the medium term. In addition, the performance of the world's leading prime second home and city residential markets confirms a significant trend where Europe is seeing positive growth after a decade of weak results.

Furthermore, according to the data presented by industry experts, the luxury travel market is growing, comprising 7% of the market.

The main observations about the regions of interest to the Company are as follows:

A GREECE

2017 was a milestone year for Greek tourism with a significant increase in revenues and arrivals. Further to the latest data issued by the Bank of Greece, more than 27 million tourists (excluding cruise passengers) arrived in Greece in 2017, recording a rise of 10%, while travel receipts during the same period totalled €14.6 billion, up nearly 11% compared to 2016.

According to the Greek Tourism Ministry, Greece is expecting another record year in 2018, with forecasts of an additional 2 million visitors. During the first quarter of 2018, international arrivals rose by 20%. Furthermore, according to a SETE Intelligence report, Greece is in the top 5 Mediterranean destinations and the first data from the scheduled airline seats at regional airports are showing an 18% increase for the summer season, compared to the same period last year. Indicatively, scheduled airline seats from Germany are up by 34%.

In addition, macroeconomic indicators have lately been quite encouraging about the country's economic perspectives and following on from the upgrade in the country's credit rating by S&P last January. Fitch and Moody's also proceeded with corresponding upgrades in February and made very favourable assessments of the Greek economy's progress.

B CYPRUS

Tourist arrivals in Cyprus recorded an impressive increase in 2017, according to the Cyprus Tourism Organisation (CTO). For 2017, tourist arrivals totalled 3.7 million compared to 3.2 million in 2016, recording an increase of 14,6% and outnumbering the total previous highest arrivals number ever recorded in Cyprus during a year. The Cyprus Tourism Organisation is expecting another strong year for the industry in 2018.

In addition, according to the latest study by PWC, growth in all property price indices was recorded during 2017, reflecting the increased demand and activity levels in the real estate sector. The confidence level that is currently exhibited across the Cyprus real estate market largely reflects the positive developments in the economy of the country as well as the improvement in economic performance indicators, such as GDP growth of 3.4% in 2017, the International Monetary Fund's projections for further growth (year-on-year increase of 2.6% in 2018), various upgrades of Cyprus' credit ratings and the substantial growth observed in tourist arrivals. Interest from foreign buyers, which has been a driving force for the market, has increased significantly during the year, with transactions relating to the high-end residential property segment (above €1.5 million) increasing by 45% in 2017 on an annual basis, while the value of new building permits issued in 2017 increased by 49%.

C CROATIA

Croatia saw a record of 18.5 million tourist arrivals in 2017 and generated 102 million overnight stays, which are up 13% and 12% respectively compared to 2016. Revenues of €8.7 billion for the first nine months of 2017 surpassed the total revenues from foreign tourists for the whole of 2016.

Croatia expects even stronger results of its tourism sector in 2018, on the back of new investments aimed at transforming the country into a year-round destination. Tourism arrivals are expected to reach a new record of 20 million, while overnight stays are expected to reach 110 million.

D TURKEY

After seeing a sharp decline in the number of visitors in 2016, a year that included a series of terror attacks, the tourism industry experienced a recovery in 2017. Turkey's tourism revenue rose to $26.3 billion in 2017 with a nearly 19% year-on-year increase, driven by a significant rebound in the number of foreign arrivals, reaching 32.4 million, up c.28%.

AMANZOE, PELOPONNESE, GREECE

"...an idyllic spot, with panoramic views of the sea on one side and over the valley to the mountains on the other..."

Boat International

www.boatinternational.com

air of calm

go to page 12 for information on Amanzoe, Greece

Portfolio review

Our portfolio is currently spread over aproximately 33 million m² of prime coastal developable land.

"Every part of this arresting establishment is imbued with Greek history. There are outdoor amphitheatres… a stylish spa that offers treatments based on Ancient Greek medicine and an Olympic-sized infinity pool overlooking the vineyards."

Billionaire

www.billionaire.com

heaven on earth

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Amanzoe *Peloponnese, Greece*

Amanzoe is Dolphin's first operating resort since 2012 and the top luxury resort in the Mediterranean today, with 38 suites or pavilions and a limited number of Aman villas for sale. Set in a land of classical ruins, azure seas and olive groves on the coast of the Peloponnese, Amanzoe offers a contemporary hilltop retreat overlooking the Aegean Sea. Ideally placed for exploring the region's natural attractions and rich culture, the resort embraces the architecture and soul of ancient Greece.


www.amanzoe.com

Amanzoe
continued

DOLPHIN STAKE: 100%

AREA SIZE: 93 hectares

LOCATION

In the area of Porto Heli, also known as the Greek Riviera

Easy access to the cosmopolitan islands of Spetses and Hydra

0.1 km of coastline

STATUS: Opened in August 2012

COMPOSITION

38 pavilions, 4 beach cabanas

Private beach club

49 villas planned, 13 units sold/reserved,8 delivered

www.amanzoe.com

PARTNERS

ĀMAN

www.amanresorts.com

DESIGNREALIZATION

zoniro

www.zoniro.com

In the region of Argolida, near Porto Heli (one of the most upmarket, second-home residential areas in Greece), within a 2-hour drive from Athens International Airport and two hours by ferry from Piraeus Port.

PROGRESS UPDATE

Amanzoe's operating season for 2017 was between 1 April and 31 October 2017. For 2018, the operating season is scheduled to be extended to the end of November.

Eight villas were included in the rental programme, including the one bedroom villa which features the James Turell Skyspace. Hotel performance improved compared to 2016, with occupancy for 2017 of 71% versus 62% in 2016, an ADR of €1,344 and a RevPAR of €954 compared to €1,242 and €772 respectively in 2016.

The villa rental daily rates during the high season ranged from c. €9,000 to €25,000 and generated revenues that represent a year-on-year increase of 30%.

Construction works commenced for two sold villas, namely villa 6 and 18, after the end of the 2017 summer season and will continue through the 2018 season. Delivery of these villas is expected in the season of 2019.

In an effort to diversify our villa offering and increase the pace of sales, we have made available for sale a limited number of 2-bedroom Amanzoe Villas, which appear to be in high demand in the rental market and have resulted in the conclusion of one sale reservation agreement during 2017. Furthermore, a number of events with potential clients are planned for the 2018 summer season, in collaboration with Aman and various agents.

Amanzoe continues to receive outstanding reviews and publicity from international media. The villas and the hotel are featured in enthusiastic coverage mentioning the location, the architecture and the 'Aman service'. Major important media such as The Telegraph, The Times, Vogue, Billionaire.com, FT How to Spend It and Robb Report featured extensive articles throughout 2017 and during the first quarter of 2018.


The dramatic hillside location of Amanzoe offers incomparable opportunities for skiing, mountain biking, hiking, trekkers and horseback riders alike
The well-preserved ruins of the ancient city of Mycenae are in close proximity
The famous theatre at Epidaurus built in the 4th century BC is among the greatest monuments of Greek Antiquity
CORINTH CANAL
ATHENS
PIRAEUS
2-hour drive from ATHENS INTERNATIONAL AIRPORT
MYCENAE
EPIDAVROS
NAFPLION
POROS ISLAND
2 hours by ferry from Piraeus Port
Nafplio was the first capital of the Modern Greek state and boasts a fort sitting above the bay and charming neoclassical buildings
1
The car free island of Hydra is known for its strong maritime culture, traditional stone houses and donkeys
HYDRA ISLAND
SPETSES ISLAND
Spetses has a cosmopolitan charm, with its whitewashed captains' mansions, lush gardens and horse-drawn carriages
Amanzoe
93 hectares
The spectacular all-year-round weather conditions and tranquil waters provide ideal conditions for the full range of water sports
CHANEL
HELMUT NEWTON
RELAX

Kilada Hills Golf Resort
Peloponnese, Greece

DOLPHIN STAKE: 100%

AREA SIZE: 235 hectares, 0.1 km coastline

COMPOSITION

Phase I – Golf residential community permitted to start construction

18-hole Jack Nicklaus Signature Golf Course

Golf clubhouse

c.230 golf residences

c.86 branded villas & residences

Beach Club

Other Phases

100-room luxury hotel

Beach Club expansion

STATUS

Current permits in place to allow commencement of the Golf phase construction

One of the first projects in Greece to receive 'Strategic Investment' status and permit, which gives significant residential building density advantages and removes the requirement of building a hotel

PARTNERS

A Signature Golf Course

www.nicklaus.com

DENNISTON

www.denniston.com.my

Kilada Hills Golf Resort represents the development of the most exclusive golf residential community in Greece, a few minutes' drive from Amanzoe, to include the first Jack Nicklaus championship golf course in the country, together with over 250 luxury serviced residences. There is an impressive array of archaeological sites locally, as well as the cosmopolitan islands of Spetses and Hydra just a stone's throw away.

PROGRESS UPDATE

During 2017, approvals were issued from the relevant authorities for the necessary intermediate submissions of the urban plan and building permit for the infrastructure for the individual neighbourhoods of the Kilada Hills Golf Resort. The urban plan was approved in April 2018 by the pertinent department of the Ministry of Environment.

As all prerequisites have been met and all intermediate approvals have been granted, final approval rests with the Central Administrative Council, which is the relevant authority for such decisions, and is a body represented by all the ministries. Once approval has been received, infrastructure works may commence.

understated luxury

One&Only Kéa Island
Tzia, Greece

DOLPHIN STAKE: 67%

AREA SIZE: 65 hectares, circa. 1 km of coastline

STATUS: The project has received all required permits to start construction

PARTNERS

Heah & Co

One&Only Kéa Island is Dolphin's third resort in Greece to be constructed on the island of Kéa, the closest Cycladic island to Athens. Surrounded by dramatic sea views and a spectacular sandy beach offering a natural harbour and a safe shelter from the Aegean wind, One&Only Kéa Island is accessible through a 15-minute drive from Athens International Airport to Lavrio Harbour, followed by a 30-minute boat ride.

PROGRESS UPDATE

On 1 November 2017 DCI, through its relevant project subsidiary companies, entered into a JV agreement for a €16 million cash equity investment by One&Only for a 40% shareholding in the project, which on completion will fund the development of the One&Only Kéa Island.

The transaction includes the operation of the One&Only Kéa Island and the residences by One&Only (or its designated affiliates) through long-term management and branding agreements. The development and asset management of the project will be undertaken by Dolphin Capital Partners.

The Company has received a term-sheet from a local bank for a €30 million senior construction loan (as well as a VAT and subsidy bridge facility) which, if agreed, would complete the financing sources for the construction of the One&Only Kéa Island in accordance with the existing development budget.

Completion of the JV agreement is subject to DCI meeting certain conditions, including the redesign of the resort to meet the One&Only brand standards, the revision of the resort construction permits from the relevant authorities to reflect the new designs, and the finalisation of the turn-key construction contract.

The commencement of the resort's construction is also subject to an additional €4 million equity injection in the resort project, which has been committed by third party investors, including the Investment Manager, and it is intended that the Resort will be developed in time for the 2020 season.

John Heah, the project architect, is designing the project. The design is expected to be completed by the end of June 2018, in parallel with the revision of the relevant construction permit, to allow commencement of works by the end of Q3 of this year.

secrets to share

Nikki Beach Resort & Spa
Peloponnese, Greece

DOLPHIN STAKE: 25% DCI affiliate

AREA SIZE: 1 hectare

LOCATION: Porto Heli, Greece

STATUS: Opened in July 2014

COMPOSITION

The Nikki Beach Resort & Spa at Porto Heli includes hotel suites as well as apartments for sale

66 luxurious rooms & suites

The only seafront hotel in central Porto Heli

Exclusive state-of-the-art beachfront venue offering direct views of the Aegean Sea

www.nikkibeachhotels.com

PROGRESS UPDATE

On 23 February 2017, a commercial co-operation agreement with a local white-label operator was entered into, regarding the management and operations of the Nikki Beach Resort and Spa at Porto Heli. As a result of this agreement, the Company now has no financial obligations for the day-to-day operations of the hotel and it receives monthly revenue-linked payments without incurring any hotel operating costs.

The operations improved during 2017 with occupancy of 61% (for 168 days) compared to 50% during 2016 (for 163 days). This resulted in net revenues generated of €0.4 million in 2017.

A formal process for the disposal of the Nikki Beach has commenced and it is expected that divestment of this asset will be concluded within the current year.

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Scorpio Bay Resort

Viotia, Greece

DOLPHIN STAKE: 100%

AREA SIZE: 172 hectares, approximately 2 km of seafront

LOCATION: Skorponeri, Viotia region, making this probably the closest luxury seaside residential resort to Athens

ACCESS: A 1-hour drive from Athens International Airport

SPECIAL FEATURES: A mountainous peninsula of unspoilt natural beauty overlooking a secluded bay and the island of Evoia, and within a 1-hour drive from the ski resort of Mount Parnassus

COMPOSITION: Luxury wellness resort with full service spa and sea related facilities

DESIGN: Hotel and villa designed by Heah & Co, led by John Heah

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Lavender Bay Resort

Magnesia, Greece

DOLPHIN STAKE: 100%

AREA SIZE: 310 hectares, 2 km of seafront

LOCATION: Near the town of Volos, in the region of Thessalia, at the mouth of Pagasitikos Gulf

ACCESS: Approximately 2.5-hour drive from both Athens and Thessaloniki International Airports, also 20-minute drive from new Aghialos International Airport

SPECIAL FEATURES: Unspoilt, undulating hills fronted by a 2 km beach and surrounded by forest

COMPOSITION

A 180-room hotel

More than 220 branded residential units

More than 390 non-branded residential units

An 18-hole Gary Player Signature golf course

Beach club and other leisure facilities

DESIGN: Masterplan by EDSA, golf design by Gary Player and hotel and residences design by Chad Oppenheim (Oppenoffice)

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Plaka Bay Resort

Crete, Greece

DOLPHIN STAKE: 100%

AREA SIZE: 442 hectares, 7 km of seafront

LOCATION: The island of Crete

ACCESS: A 40-minute drive east from Sitia International Airport, a 2-hour drive east from Heraklion International Airport and in close proximity to Sitia Harbour

SPECIAL FEATURES: Easternmost point of Crete

COMPOSITION

A residential development of over 70,000m^2

One or more 5-star hotels

Other supporting recreational facilities and potentially an 18-hole golf course

DESIGN: Masterplan prepared by Hart Howerton

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Apollo Heights Polo Resort
Cyprus

PROGRESS UPDATE

The zoning and entitlement processes have been extremely slow for all land owners in the Sovereign Bases Area, resulting in a delay in receiving zoning permits, a pre-condition for any planning approval. We are reviewing all avenues to achieve a solution to these issues.

DOLPHIN STAKE: 100%

AREA SIZE: 461 hectares

LOCATION: Near the town of Limassol

ACCESS: Less than 1-hour drive from both of the island's international airports

SPECIAL FEATURES

With excellent views of the sea, the mountains and neighbouring villages, the site also lies adjacent to a number of polo fields and an 18-hole golf course, and is 500m away from the beach

COMPOSITION

Hotel facilities

Residential units

Polo fields

18-hole golf course

DESIGN: Masterplan by EDSA and golf course design by Tony Jacklin Design

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Livka Bay Resort
Solta, Croatia

PROGRESS UPDATE

A sale process is in progress and three real estate advisors have been engaged by the Company to identify potential purchasers, in addition to those parties directly contacted by Dolphin. The loan for the Livka Bay Resort project has been restructured during the period, with its maturity extended by 18 months to 31 December 2019. An amount of €0.5 million of principal was repaid as scheduled, reducing the current balance to €7.5 million, which is now repayable as to €0.5 million on 30 September 2018 and €7 million on 31 December 2019.

DOLPHIN STAKE: 100%

AREA SIZE: 63 hectares, 3 km of seafront

LOCATION: The bay of Livka on the south end of the island of Solta, off the Dalmatian Coast

ACCESS: 20 km boat ride from Split International Airport

SPECIAL FEATURES: One of the first luxury residential resorts on the Dalmatian coast

COMPOSITION

Luxury hotel with 100 rooms and suites

Approximately 200 private, serviced residences

120-berth marina

Other supporting recreational, sports and retail facilities

DESIGN: WATG

www.livkabay.com

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La Vanta – Mediterra Resorts
Antalya, Turkey

DOLPHIN STAKE: 100%

AREA SIZE: 8 hectares

LOCATION: The Antalya region of southern Turkey

ACCESS: A 1.5-hour drive from Dalaman International Airport

SPECIAL FEATURES

La Vanta development is very close to the well-known beaches of Kaputas and Patara and within walking distance of Kalkan beach

5-minute drive to the beach

COMPOSITION

La Vanta is a development of over 25,000m², comprising over 120 villas and townhouses.

Phase 1 was completed in 2009 with 41 units already delivered. Phase 2 is currently under construction

DESIGN: Cemal Mutlu & Xavier Bohl

www.mediterraresorts.com

AMANZOE, PELOPONNESE, GREECE

"On the hilltops of Porto Heli in the heart of the Peloponnese, this recently launched, limited collection of premium two-bedroom villas is designed to maximise the sweeping view of the Argo-Saronic Gulf and surrounding countryside."

International Property & Travel

www.ipropertymedia.com

classic Greece

go to page 12 for information on Amanzoe, Greece

ARISTO DEVELOPERS

Aristo Developers
Cyprus

DCI has a 47.9% stake in Aristo Developers Ltd

- Large private landowner and one of the largest holiday home developers in Cyprus
- 29 years of development expertise and market knowledge
- Over 3,000 holiday homes sold since 2004
- Diversified portfolio
- Over 250 projects island wide and 50 projects currently in the market
- Member of the FIABCI International Real Estate Federation & the EU Eco-Management & Audit Scheme (EMAS)
- Extensive international sales network

www.aristodevelopers.com

Operating performance

Aristo sales nearly doubled in 2017 compared to 2016. 143 homes and plots were sold representing total sales of c. €74.7 million, up 76% compared to c. €42 million for 2016. Sales in the first four months of 2018 have been satisfactory.

	12 months to 31 December 2017	12 months to 31 December 2016
RETAIL SALES		
New sales booked	€74,651,736	€42,349,273
% change	76%	
Units sold	143	104
% change	38%	
CLIENT ORIGIN		
China & Other Asia	82%	56.3%
MENA	11%	17%
Russia	3.5%	8.3%
UK	–	1.6%
Cyprus & Other EU	3.5%	16.6%

Termination of agreement for the disposal of DCI's stake in Aristo

On 29 September 2016 the Company signed an agreement to sell its 49.75% stake in Aristo Developers Ltd ('Aristo') to Mr. Theodoros Aristodemou for a €45 million cash consideration. The Company received €1.8 million of the cash consideration out of the €45 million due under the sale agreement. However, the remaining instalments due under the agreement were not met and the Company decided on 3 May 2017 to terminate the existing agreement and retain the remaining portion of its Aristo shares. This corresponds to a 47.9% shareholding.

The Company is encouraged by the significant improvement in Aristo operations, the increase in sales velocity and the substantial reduction of Aristo's bank debt achieved during 2017. On the back of this operational momentum, we are reviewing our options for the realisation of our holding in Aristo.

Portfolio breakdown

A summary of Dolphin's current investments is presented below. As at 31 December 2017, the net invested amount stood at €491 million.*

PROJECTS	Land site (hectares)	DCI's stake	Debt* (€m)	Real estate value (€m)	Loan to real estate asset value (%)
#1 Amanzoe	93	100%	74		
#2 Kilada Hills Golf Resort	235	100%	–		
#3 One&Only Kéa Island	65	67%	–		
#4 The Nikki Beach Resort & Spa	1	25%	–		
#6 Scorpio Bay Resort	172	100%	–		
#7 Lavender Bay Resort	310	100%	–		
#8 Plaka Bay Resort	442	100%	–		
#10 Apollo Heights Polo Resort	461	100%	16		
#11 Livka Bay Resort	63	100%	8		
#12 La Vanta – Mediterra Resorts	8	100%	–		
Sold post 31 December 2017					
#5 Sitia Bay Golf Resort**	270	78%	–		
#9 Triopetra***	11	100%	–		
TOTAL	2,131		98	340	29%
Aristo Cyprus*	1,448	47.9%	–	43	
Itacaré Investment	n/a	13%	–	1	
GRAND TOTAL	**3,579**		**98**	**384**	**26%**

* Further details on debt maturities are set out in note 23 of the financial statements.
** Sold in March 2018
*** Sold in February 2018

A breakdown of Dolphin's portfolio, as at 31 December 2017, for certain key metrics is provided below:

COUNTRY	Land size (hectares)	Debt (€m)	Real estate value (€m)	Loan to real estate asset value (%)	Net Asset Value
A Greece	1,599	74	277	27%	63%
B Cyprus*	1,909	16	70	22%	24%
C Other	71	8	37	22%	13%
GRAND TOTAL	**3,579**	**98**	**384**	**26%**	**100%**

* DCI's portfolio in Cyprus includes its equity investment in Aristo Developers Ltd, which owns assets in Cyprus that are subject to Aristo's debt and other obligations.

Permitting status update

GREECE	LC	A	MP	PEIS	GNTO S	EIS	AD	GNTO A	CP	UC
Amanzoe										
Hotel	●	●	●	●	●	●	●	●	●	●
Residential development	●	●	●	●	●	●	●	●	●	◐
Kilada Hills Golf Resort										
Hotel	●	●	●	●	●	●	●	●	●	○
The Seafront Villas	●	●	●	●	●	●	●	●	●	◐
Residential	●	●	●	●	●	●	●	◐	○	○
Golf	●	●	●	●	●	●	●	●	●	○
One&Only Kéa Island	●	●	●	●	●	●	●	●	●	○
The Nikki Beach Resort & Spa	●	●	●	●	●	●	●	●	●	●
Sitia Bay Golf Resort*										
Hotel	●	●	●	●	●	●	●	●	●	○
Golf	●	●	●	●	●	○	○	○	○	○
Marina	N/A	N/A	N/A	N/A	N/A	N/A	●	N/A	●	○
Residential	●	●	●	●	N/A	●	●	N/A	○	○
Scorpio Bay Resort	●	●	●	●	●	●	○	○	○	○
Lavender Bay Resort										
Hotel	●	●	●	●	●	◐	◐	○	○	○
Golf	●	●	●	○	○	○	○	○	○	○
Residential	●	●	●	●	N/A	◐	◐	N/A	○	○
Plaka Bay Resort	●	●	◐	◐	◐	○	○	○	○	○
Triopetra**	●	●	●	●	●	●	○	○	○	○

CYPRUS	IMP	MPA	EIS	AD	BP	CP	UC
Apollo Heights Polo Resort	◐	○	○	○	○	○	○

CROATIA	IMP	EA	TZ	UP	EIS	LP	CP	UC
Livka Bay Resort								
Phase 1	●	●	●	●	●	●	○	○
Phase 2	●	●	●	●	●	◐	○	○

TURKEY	LC	MP	Z	CP	UC
La Vanta – Mediterra Resorts					
Phase 1	●	●	●	●	●
Phase 2	●	●	●	●	◐
Future phases	●	●	●	○	○

* Sold in April 2018

** Sold in February 2018

KEY

● Completed
◐ In progress
○ To be initiated
N/A Not applicable

GREECE
- LC Land characterisation
- A Archaeology
- MP Masterplan
- PEIS Preliminary environmental impact study
- GNTO S Greek National Tourism Organisation suitability
- EIS Environmental impact study
- AD Architectural designs
- GNTO A Greek National Tourism Organisation approval
- CP Construction permit
- UC Under construction

CYPRUS
- IMP Initial masterplan
- MPA Masterplan approved
- EIS Environmental impact study
- AD Architectural design
- BP Building permit
- CP Construction permit
- UC Under construction

CROATIA
- IMP Initial masterplan
- EA Environmental assessment
- TZ Tourist zoning
- UP Urbanistic plan
- EIS Environmental impact study
- LP Location permit
- CP Construction permit
- UC Under construction

TURKEY
- LC Land characterisation
- MP Masterplan
- Z Zoning
- CP Construction permit
- UC Under construction

a new light

AMANZOE, PELOPONNESE, GREECE

"The ancient simplicity of the villas is akin to the charm of nature. In the mornings you are awakened by the singing of birds, and the air is filled with the aroma of lavender."

Robb Report *www.robbreport.com*

go to page 12 for information on Amanzoe, Greece

Investment Manager's Report

Future objectives

The Company's main objectives for the remainder of 2018 are to:

1. Execute further asset disposals;
2. Complete the conditions precedent for the One&Only Kéa Island development and start construction;
3. Secure third party funding for the Kilada Hills project so that the development can commence and become more attractive to potential investors and acquirers;
4. Increase the sales velocity of villas at Amanzoe; and
5. Where appropriate, advance the zoning, permitting, design and branding of certain assets to improve their sales potential and value.

Miltos Kambourides, Managing Partner
Pierre Charalambides, Founding Partner

Dolphin Capital Partners

Working together...

We partner with some of the world's most recognised hotel operators, architects and golf operators for the creation of sophisticated leisure integrated residential resorts in emerging markets. On a project by project basis, Dolphin has joint ventured with leading local or international operating and investment partners.

HOTEL OPERATORS

ĀMAN
- Amanzoe

www.amanresorts.com

NIKKI BEACH RESORT & SPA
- The Nikki Beach Resort & Spa at Porto Heli

www.nikkibeachhotels.com

One&Only KÉA ISLAND Greece
- One&Only Kéa Island

www.oneandonlyresorts.com

ARCHITECTS

DESIGNREALIZATION

Design:
- The Amanzoe at Porto Heli

DENNISTON INTERNATIONAL ARCHITECTS & PLANNERS LTD.

Design:
- The Chedi

www.denniston.com.my

HART HOWERTON PLANNERS • ARCHITECTS LANDSCAPE ARCHITECTS

Masterplan and design:
- Plaka Bay Resort

www.harthowerton.com

EDSA

Masterplan:
- Apollo Heights Polo Resort

www.edsaplan.com

Heah & Co

Design:
- One&Only Kéa Island
- The Oberoi at Scorpio Bay Resort

OPPENHEIM

Design:
- The Kempinski at Lavender Bay Resort

www.oppenoffice.com

WATG designing destinations

Design:
- The hotel in Livka Bay Resort

www.watg.com

CM MİMARLIK

Design:
- La Vanta Resort

www.cemalmutlu.com

GOLF COURSE DESIGN

A Signature Golf Course

Signature golf course design:
- Kilada Hills Golf Resort

www.nicklaus.com

TONY JACKLIN DESIGN

Golf course design:
- Apollo Heights Polo Resort

www.tonyjacklin.com

Gary Player DESIGN

Golf course design:
- Lavender Bay Resort

www.garyplayer.com

GOLF & LAND DESIGN

Golf course design:
- Apollo Heights Polo Resort

www.golf-land-design.com

PROJECT PARTNERS

IKTINOS HELLAS S.A. GREEK MARBLE INDUSTRY

Partner:
- Sitia Bay Golf Resort

ARISTO DEVELOPERS

www.aristodevelopers.com

Financial position

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	31 December 2017 €'000	31 December 2016 €'000
CONTINUING OPERATIONS		
Revenue	19,502	18,148
Cost of sales	(15,191)	(17,357)
GROSS PROFIT	**4,311**	**791**
Disposal of investments	4	785
Change in valuations	(18,838)	(136,512)
Investment Manager remuneration	(7,606)	(11,406)
Directors' remuneration	(701)	(1,509)
Depreciation charge	(2,308)	(2,284)
Professional fees	(4,491)	(5,480)
Administrative and other expenses	(6,469)	(2,232)
TOTAL OPERATING AND OTHER EXPENSES	**(40,409)**	**(158,638)**
Results from operating activities	**(36,098)**	**(157,847)**
Finance income	4,069	29
Finance costs	(10,406)	(15,099)
Net finance costs	**(6,337)**	**(15,070)**
Share of losses on equity-accounted investees, net of tax	–	(34,389)
Loss before taxation	**(42,435)**	**(207,306)**
Taxation	2,893	3,584
Loss from continuing operations	**(39,542)**	**(203,722)**
DISCONTINUED OPERATION		
Profit/(loss) from discontinued operation, net of tax	12,273	(57,268)
Loss	**(27,269)**	**(260,990)**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment	4,515	5,796
Share of revaluation on equity-accounted investees	–	17
Related tax	(1,309)	(1,682)
	3,206	4,131
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences	(11,561)	(7,458)
Change in fair value of available-for-sale financial assets	–	(256)
	(11,561)	(7,714)
Other comprehensive income, net of tax	**(8,355)**	**(3,583)**
TOTAL COMPREHENSIVE INCOME	**(35,624)**	**(264,573)**
Profit/(loss) attributable to:		
Owners of the Company	(31,986)	(243,762)
Non-controlling interests	4,717	(17,228)
	(27,269)	**(260,990)**
Total comprehensive income attributable to:		
Owners of the Company	(39,757)	(247,481)
Non-controlling interests	4,133	(17,092)
	(35,624)	**(264,573)**
(LOSS)/EARNINGS PER SHARE		
Basic and diluted loss per share (€)	**(0.03)**	**(0.27)**
Basic and diluted loss per share – Continuing operations (€)	**(0.04)**	**(0.22)**
Basic and diluted earnings/(loss) per share – Discontinued operation (€)	**0.01**	**(0.05)**

Further analysis of individual revenue and expense items is provided on page 32 and 33.

Financial results

Loss after tax for the period ended 31 December 2017 attributable to owners of the Company amounted to €32 million compared to €244 million for the year ended 31 December 2016. Loss per share was €0.03 in 2017 and €0.27 in 2016. The loss was principally due to:

- the year-end net valuation losses and impairment charges of €19 million; and
- the Group's depreciation costs and other operational, corporate, finance and management expenses.

Consolidated statement of profit or loss and other comprehensive income continued
For the year ended 31 December 2017

Revenue

Revenues from continuing operations of €19.5 million (31 December 2016: €18.1 million) were derived from the following sources:

	31 December 2017 € million	31 December 2016 € million
Income from hotel operations	18.4	14.2
Sale of trading & investment properties	0.2	3.5
Other income	0.9	0.4
TOTAL	**19.5**	**18.1**

The reduction in the sale of trading and investment properties relates to the fact that no new villas were delivered in 2017 in the Amanzoe project, whereas in 2016 the sale of one villa plot and one beach club cabana was recognised in the financial statements. The improved Amanzoe performance during the period resulted in a significant increase in income from hotel operations.

Cost of sales

Cost of sales from continuing operations comprises the following basic categories:

	31 December 2017 € million	31 December 2016 € million
Cost of sales related to:		
Hotel operations	6.4	4.4
Sales of trading and investment properties	0.2	5.3
Electricity and fuel	0.1	0.1
Personnel expenses	6.4	5.6
Branding & hotel management fees	1.5	1.6
Other operating expenses	0.6	0.4
TOTAL	**15.2**	**17.4**

The charge of cost of sales from continuing operations for the period amounted to €15.2 million (31 December 2016: €17.4 million). The decrease is largely attributable to cost of villas sold reflecting the above mentioned reduction in villa deliveries. This reduction was partly counterbalanced by an increase in hotel operations costs reflecting the increased occupancy of Amanzoe.

Professional fees

The charge for the period from continuing operations was €4.5 million (31 December 2016: €5.5 million) and comprises the following:

	31 December 2017 € million	31 December 2016 € million
Legal & administrator fees	0.9	1.0
Auditors' remuneration	0.6	0.7
Accounting expenses	0.3	0.3
Appraisers' fees	0.1	0.1
Project design and development fees	1.8	1.9
Consultancy fees	0.2	0.7
Other professional fees	0.6	0.8
TOTAL	**4.5**	**5.5**

Decrease in consultancy fees is mainly attributable to the non-recurring Houlihan Lokey fees incurred in 2016.

Administrative and other expenses

The administrative and other expenses from continuing operations amounted to €6.5 million (31 December 2016: €2.2 million) and are analysed as follows:

	31 December 2017 € million	31 December 2016 € million
Travelling and accommodation	0.3	0.4
Insurance	0.1	0.1
Repairs and maintenance	0.3	0.1
Marketing and advertising expenses	0.3	0.3
Immovable property and other taxes	0.5	0.5
Rents	0.2	0.2
Litigation provision*	4.0	0.0
Other	0.8	0.6
TOTAL	**6.5**	**2.2**

A Group company is in dispute with a lending institution concerning a c. €4 million assignment of claims to the institution by one of the Company's contractors. In March 2018, the competent court of first instance ruled partially in favour of this institution, however this decision is provisional and non-enforceable and the Company has instructed its lawyers to appeal this ruling and handle the ongoing litigation.

Change in valuations

Change in valuations from continuing operations amounted to €18.9 million (31 December 2016: €136.5 million) and are analysed as follows:

	31 December 2017 € million	31 December 2016 € million
Net change in fair value of investment property	12.5	22.1
Impairment loss on trading properties	0.7	0.7
Impairment loss on re-measurement of disposal groups	3.4	4.2
Impairment loss on equity-accounted investees held for sale	0.0	109.3*
Impairment loss/(reversal of Impairment loss and write-offs of property, plant and equipment)	2.5	(0.1)
(Reversal of) concession/write off of land	(0.2)	0.3
TOTAL	**18.9**	**136.5**

* Amount reflects the write-down in Aristo's carrying amount to €45 million

Net finance costs

The charge for the period from continuing operations was €6.3 million (31 December 2016: €15.1 million) and comprises the following:

	31 December 2017 € million	31 December 2016 € million
Finance income	4.1	0
Finance costs	(10.4)	(15.1)
TOTAL	**(6.3)**	**(15.1)**

During the year, the Company entered into new contracts in connection with the deferred payments due for the purchase of land at Lavender Bay. The revised interest rate agreed on the outstanding consideration is lower than that specified in the previous contracts. As the new contracts have a retrospective effect, the interest previously accrued in prior years of approx. €4 million has been reversed during the year ended 31 December 2017 and included in finance income.

Decrease in Finance costs is mainly due to the retirement of all of the DCI's €50 million and USD9.17 million Convertible bonds. These bonds were cancelled upon the completion of the Playa Grande sale at the end of 2016.

Consolidated statement of financial position

As at 31 December 2017

	31 December 2017 €'000	31 December 2016 €'000
ASSETS		
Property, plant and equipment	87,551	87,647
Investment property	138,672	176,548
Deferred tax assets	994	996
Non-current assets	**227,217**	**265,191**
Trading properties	30,572	29,763
Trade and other receivables	5,374	3,698
Cash and cash equivalents	2,444	4,698
Assets held for sale	129,131	162,738
Current assets	**167,521**	**200,897**
TOTAL ASSETS	**394,738**	**466,088**
EQUITY		
Share capital	9,046	9,046
Share premium	569,847	569,847
Retained deficit	(397,746)	(365,689)
Other reserves	12,912	20,683
Equity attributable to owners of the Company	**194,059**	**233,887**
Non-controlling interests	4,769	17,993
TOTAL EQUITY	**198,828**	**251,880**
LIABILITIES		
Loans and borrowings	68,544	79,521
Finance lease liabilities	2,990	2,934
Deferred tax liabilities	19,561	24,255
Trade and other payables	20,858	6,479
Deferred revenue	6,985	7,230
NON-CURRENT LIABILITIES	**118,938**	**120,419**
Loans and borrowings	21,171	12,749
Finance lease liabilities	8	48
Trade and other payables	16,193	43,112
Deferred revenue	13,834	10,683
Liabilities held for sale	25,766	27,197
Current liabilities	**76,972**	**93,789**
TOTAL LIABILITIES	**195,910**	**214,208**
TOTAL EQUITY AND LIABILITIES	**394,738**	**466,088**
NET ASSET VALUE ('NAV') PER SHARE (€)	**0.21**	**0.26**

The reported NAV as at 31 December 2017 is presented below:

	As at 31 December 2017		Variation since 31 December 2016	
	€	£	€	£
Total NAV before DTL (million)	223	198	(15.8%)	(12.7%)
Total NAV after DTL (million)	194	172	(17.0%)	(14.0%)
NAV per share before DTL	0.25	0.22	(15.8%)	(12.7%)
NAV per share after DTL	0.21	0.19	(17.0%)	(14.0%)

Notes:
1. Euro/GBP rate 0.88773 as at 31 December 2017 and 0.85637 as at 31 December 2016.
2. NAV per share has been calculated on the basis of 904,626,856 issued shares as at 31 December 2017 and as at 31 December 2016.

Total Group NAV as at 31 December 2017 was €223 million and €194 million before and after DTL respectively. This represents a decrease of €42 million (15.8%) and €40 million (17.0%), respectively, from the 31 December 2016 figures. This NAV reduction is mainly due to the valuation writedowns relating to the Company's assets as well as Dolphin's regular fixed operational, corporate, finance and management expenses.

Sterling NAV per share as at 31 December 2017 was 22p before DTL and 19p after DTL and decreased by 12.7% and 14.0%, before and after DTL respectively, compared to the 31 December 2016 figures. The valuation decreases and operational expenses mentioned above were counter-balanced by a 3.6% appreciation of the Euro versus Sterling.

The Company's consolidated assets include €257 million of real estate assets, €129 million of assets held for sale, €6 million of other assets (trade and other receivables and deferred tax asset) and €2 million in cash.

The figure of €257 million of real estate assets (property, plant and equipment, investment property and trading properties) represents the independent property valuations conducted as at 31 December 2017 by American Appraisal (for the Greek and Cypriot projects) for both freehold and long leasehold interests of Amanzoe, Kilada Hills, Scorpio Bay, Lavender Bay, Apollo Heights and Plaka Bay projects.

The €129 million of assets held for sale includes €83 million of real estate assets, €44 million of investment in equity accounted investees (the Company's 47.9% and 25% interest in Aristo and Nikki Beach respectively as at 31 December 2017), €1 million of available-for-sale financial assets which represents the Company's investment in Itacare and €1 million of other assets. The €83 million figure comprises the appraised value of Kéa Resort, Livka Bay and La Vanta (Colliers International conducted the independent property valuation for Croatia and Turkey), as well as the values of Triopetra and Sitia Bay, based on the respective sale agreements.

The Company's consolidated liabilities (excluding DTL) total €167 million and mainly comprise €101 million of interest bearing loans and finance lease obligations (of which €8 million are classified as liabilities held for sale). All loans are held by Group subsidiaries and are non-recourse to Dolphin. The €66 million of trade and other payables and deferred revenue (including €8 million of trade and other payables held for sale) comprise mainly €21 million of option contracts to acquire land in the Company's Lavender Bay project, €7 million deferred income from government grants and €14 million of client advances from villa sales.

Board of Directors

ROLE

Dolphin's Board of Directors (the 'Board') is the Company's absolute decision-making body, approving and disapproving all investment activity proposed by the Investment Manager. The Board is responsible for acquisitions, divestments and major capital expenditures and focuses on the Company's long-term objectives, strategic direction and dividend policy. The biographical details of all the Directors are given here.

ANDREW COPPEL

Chairman

Andrew Coppel has over 20 years' experience within the hospitality and leisure sectors in chairman, CEO and/or senior board level roles, as well as being a non-executive director of one of the UK's largest residential housebuilders.

Most recently, from 2011 to 2015, Andrew was CEO of De Vere Group, one of the largest hotel and leisure groups in the UK, having joined the business initially as executive chairman in March 2010. As CEO, he led a team in turning round the group, building value through operational and investment initiatives, and crystallising that value principally through the sales of the three main divisions to US private equity firms. This resulted in the repayment to Lloyds Banking Group of over £1bn.

Andrew was chairman and CEO of McCambridge Group from 2008 to 2009 and CEO of Jockey Club Racecourses from 2004 to 2007. In 1993, he joined Queens Moat Houses, one of the largest hotel groups in Europe, where he was group CEO until 2003. From 1990 to 1993 he was chairman and CEO of Sale Tilney.

In a non-executive capacity, he was the first chair of Tourism Ireland for seven years (2001-2007), chair of London Irish Rugby Football Club (2008-2011) and a non-executive director of Crest Nicholson (2009-2011). He also sat on Lloyds Bank's Advisory Board on Ireland. Andrew was awarded a CBE in 2009 for services to Irish tourism.

MARK TOWNSEND

Mark Townsend is Investment Consultant to Asset Value Investors Limited, a significant shareholder of the Company. Mark has nearly 40 years' experience investing in listed property companies and directly into property markets in Europe.

Mark has managed the French Property Trust and the European Asset Value Fund, along with discretionary US and European mandates, which focused on under-researched, under-valued listed property companies throughout Europe. Mark was elected a Fellow of the Royal Institution of Chartered Surveyors in 1990.

GRAHAM WARNER

Graham Warner is a non-executive director at J O Hambro Capital Management Umbrella Fund plc, which continues to be a significant shareholder of the Company. Graham has nearly 40 years' experience in banking and financial services, most recently as finance director of J O Hambro Capital Management Group Limited, and extensive experience of statutory reporting and governance of publicly listed entities.

Prior to joining J O Hambro in 2000, Graham worked for Mercury Asset Management (subsequently Merrill Lynch Investment Managers), where he was responsible for Mercury's financial accounting and regulatory reporting. He has also worked for the National Bank of Kuwait Group and Hong Kong & Shanghai Banking Corporation in senior financial management roles. Graham is a qualified Chartered Accountant.

MILTOS KAMBOURIDES

Miltos Kambourides is the founder and Managing Partner of Dolphin Capital Partners (DCP), a private equity business founded in 2004, specialising in real estate investments.

Miltos was previously a founding partner of Soros Real Estate Partners (SREP), a global real estate private equity business formed in 1999 by George Soros, which executed a number of complex real estate transactions in Western Europe and Japan.

Prior to joining Soros, Miltos 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.

He 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.

Financial statements

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

Independent Auditors' report

to the Members of Dolphin Capital Investors Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of Dolphin Capital Investors Limited (the 'Company'), and its subsidiaries (together with the Company, the 'Group'), which are presented on pages 41 to 89 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU').

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants ('IESBA Code'), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

We draw attention to note 2(b) of the consolidated financial statements, which states that the consolidated financial statements of the Company for the year ended 31 December 2017 have been prepared taking into account the Company's intention to dispose of all of its assets by 31 December 2019. The basis of preparation used continues to be in accordance with IFRS-EU. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

VALUATION OF IMMOVABLE PROPERTY

(Refer to notes 16 to 19 to the consolidated financial statements)

The risk

The Group has a significant portfolio of immovable property which is classified, depending on the case, as investment property, property, plant and equipment, trading properties and disposal groups held for sale. The total carrying amount of the aforementioned immovable properties as at 31 December 2017 was €338 million.

Investment properties are measured at fair value, property, plant and equipment at revalued amounts, which are based on fair value, trading properties at the lower of cost and net realisable value and assets held for sale at fair value less costs to sell. In determining fair values the Company utilises in most cases independent professional valuers.

There are significant judgements and estimates inherent in estimating fair value and net realisable value (which is based on the intended development and future selling price of these properties).

The existence of significant estimation uncertainty coupled with the fact that only a small percentage change in the assumptions can have a significant impact on the valuation is why we have given specific audit focus and attention to this area.

Our response

Our audit procedures in relation to the valuation of immovable properties included among others:

- evaluating the competence, capabilities and objectivity of the external valuation specialists engaged by the Company. In the limited cases where the valuation of disposal groups was carried out directly by the Company, the competence and experience of the internal valuation team was evaluated.
- challenging the appropriateness of the valuation methodology and assumptions used. Assumptions, such as those relating to the discount rates used and the amounts and timing of forecasted cash inflows and outflows, as well as the comparables used and adjustments made in valuations, were challenged based on industry norms and external data. Our internal valuation specialist was used within this process. Explanations were sought for significant movements in value.
- assessing the sensitivity of the forecasts used in valuations.
- assessing the adequacy of the disclosures around the valuation of property assets.

CLASSIFICATION AS DISPOSAL GROUPS HELD FOR SALE AND PRESENTATION OF DISCONTINUED OPERATION

(Refer to notes 10 and 18 to the consolidated financial statements)

The risk

The Company presented in its consolidated statement of financial position seven of its property-owning sub-groups as disposal groups held for sale and in its consolidated statement of profit or loss its geographical segment of Americas as a discontinued operation.

These accounting treatments require specific conditions to be met and judgement to be made at the reporting date around the identification of the disposal groups. There are also detailed related disclosure requirements. We focused on this area due to the judgement involved in determining whether or not each asset or group of assets and liabilities meet the IFRS-EU requirements for such classification.

Our response

Our audit procedures included among others assessing:

- whether the underlying facts and circumstances support the accounting treatment adopted. This involved, among others, discussions with the Investment Manager and the Board of Directors, inspecting minutes and announcements of the Board, obtaining specific written representations from the Board of Directors and inspecting other documents. In performing these procedures we considered whether assets and liabilities presented as held for sale and results from discontinued operation have been accurately identified.
- the adequacy of the disclosures in relation to these matters.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS-EU, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

KPMG

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come. These financial statements have not been prepared for the purpose of complying with the legal requirements of the British Virgin Islands Law.

The engagement partner on the audit resulting in this independent auditors' report is Haris A. Kakoullis.

Haris A. Kakoullis, CPA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

4 May 2018

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	31 December 2017 €'000	31 December 2016 €'000
CONTINUING OPERATIONS			
Revenue	6	19,502	18,148
Cost of sales	7	(15,191)	(17,357)
Gross profit		**4,311**	**791**
Disposal of investments	8A	4	785
Change in valuations	8B	(18,838)	(136,512)
Investment Manager remuneration	29.2	(7,606)	(11,406)
Directors' remuneration	29.1	(701)	(1,509)
Depreciation charge	16	(2,308)	(2,284)
Professional fees	11	(4,491)	(5,480)
Administrative and other expenses	12	(6,469)	(2,232)
Total operating and other expenses		**(40,409)**	**(158,638)**
Results from operating activities		**(36,098)**	**(157,847)**
Finance income	13	4,069	29
Finance costs	13	(10,406)	(15,099)
Net finance costs		**(6,337)**	**(15,070)**
Share of losses on equity-accounted investees, net of tax	18	–	(34,389)
Loss before taxation		**(42,435)**	**(207,306)**
Taxation	14	2,893	3,584
Loss from continuing operations		**(39,542)**	**(203,722)**
DISCONTINUED OPERATION			
Profit/(loss) from discontinued operation, net of tax	10	12,273	(57,268)
Loss		**(27,269)**	**(260,990)**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Revaluation of property, plant and equipment	16	4,515	5,796
Share of revaluation on equity-accounted investees		–	17
Related tax	14	(1,309)	(1,682)
		3,206	4,131
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences	13	(11,561)	(7,458)
Change in fair value of available-for-sale financial assets		–	(256)
		(11,561)	(7,714)
Other comprehensive income, net of tax		**(8,355)**	**(3,583)**
Total comprehensive income		**(35,624)**	**(264,573)**
Profit/(loss) attributable to:			
Owners of the Company		(31,986)	(243,762)
Non-controlling interests		4,717	(17,228)
		(27,269)	**(260,990)**
Total comprehensive income attributable to:			
Owners of the Company		(39,757)	(247,481)
Non-controlling interests		4,133	(17,092)
		(35,624)	**(264,573)**
(LOSS)/EARNINGS PER SHARE			
Basic and diluted loss per share (€)	15	**(0.03)**	**(0.27)**
Basic and diluted loss per share – Continuing operations (€)	15	**(0.04)**	**(0.22)**
Basic and diluted earnings/(loss) per share – Discontinued operation (€)	15	**0.01**	**(0.05)**

The notes on pages 46 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2017

	Note	31 December 2017 €'000	31 December 2016 €'000
ASSETS			
Property, plant and equipment	16	87,551	87,647
Investment property	17	138,672	176,548
Deferred tax assets	24	994	996
Non-current assets		**227,217**	**265,191**
Trading properties	19	30,572	29,763
Trade and other receivables	20	5,374	3,698
Cash and cash equivalents	21	2,444	4,698
Assets held for sale	18	129,131	162,738
Current assets		**167,521**	**200,897**
Total assets		**394,738**	**466,088**
EQUITY			
Share capital	22	9,046	9,046
Share premium	22	569,847	569,847
Retained deficit		(397,746)	(365,689)
Other reserves		12,912	20,683
Equity attributable to owners of the Company		**194,059**	**233,887**
Non-controlling interests		4,769	17,993
Total equity		**198,828**	**251,880**
LIABILITIES			
Loans and borrowings	23	68,544	79,521
Finance lease liabilities	25	2,990	2,934
Deferred tax liabilities	24	19,561	24,255
Trade and other payables	27	20,858	6,479
Deferred revenue	26	6,985	7,230
Non-current liabilities		**118,938**	**120,419**
Loans and borrowings	23	21,171	12,749
Finance lease liabilities	25	8	48
Trade and other payables	27	16,193	43,112
Deferred revenue	26	13,834	10,683
Liabilities held for sale	18	25,766	27,197
Current liabilities		**76,972**	**93,789**
Total liabilities		**195,910**	**214,208**
Total equity and liabilities		**394,738**	**466,088**
Net asset value ('NAV') per share (€)	28	**0.21**	**0.26**

The notes on pages 46 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Attributable to owners of the Company							
	Share capital €'000	Share premium €'000	Translation reserve €'000	Revaluation reserve €'000	Retained deficit €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balance at 1 January 2016	9,046	569,847	23,939	463	(121,706)	481,589	34,939	516,528
TOTAL COMPREHENSIVE INCOME								
Loss	–	–	–	–	(243,762)	(243,762)	(17,228)	(260,990)
Other comprehensive income								
Revaluation of property, plant and equipment, net of tax	–	–	–	4,114	–	4,114	–	4,114
Foreign currency translation differences	–	–	(7,594)	–	–	(7,594)	136	(7,458)
Share of revaluation on equity-accounted investees	–	–	–	17	–	17	–	17
Fair value adjustment on available-for-sale financial asset	–	–	–	(256)	–	(256)	–	(256)
Total other comprehensive income	–	–	(7,594)	3,875	–	(3,719)	136	(3,583)
Total comprehensive income	–	–	**(7,594)**	3,875	**(243,762)**	**(247,481)**	**(17,092)**	**(264,573)**
TRANSACTIONS WITH OWNERS OF THE COMPANY								
Contributions and distributions								
Equity-settled share-based payment arrangements	–	–	–	–	(221)	(221)	–	(221)
Total contribution and distributions	–	–	–	–	(221)	(221)	–	(221)
Changes in ownership interests								
Other movement in non-controlling interests	–	–	–	–	–	–	146	146
Total changes in ownership interests	–	–	–	–	–	–	146	146
Total transactions with owners of the Company	**–**	**–**	**–**	**–**	**(221)**	**(221)**	**146**	**(75)**
Balance at 31 December 2016	**9,046**	**569,847**	**16,345**	**4,338**	**(365,689)**	**233,887**	**17,993**	**251,880**

The notes on pages 46 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity continued

For the year ended 31 December 2017

	Attributable to owners of the Company							
	Share capital €'000	Share premium €'000	Translation reserve €'000	Revaluation reserve €'000	Retained deficit €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balance at 1 January 2017	9,046	569,847	16,345	4,338	(365,689)	233,887	17,993	251,880
TOTAL COMPREHENSIVE INCOME								
Loss	–	–	–	–	(31,986)	(31,986)	4,717	(27,269)
Other comprehensive income								
Revaluation of property, plant and equipment, net of tax	–	–	–	3,206	–	3,206	–	3,206
Foreign currency translation differences	–	–	(10,977)	–	–	(10,977)	(584)	(11,561)
Total other comprehensive income	–	–	(10,977)	3,206	–	(7,771)	(584)	(8,355)
Total comprehensive income	**–**	**–**	**(10,977)**	**3,206**	**(31,986)**	**(39,757)**	**4,133**	**(35,624)**
TRANSACTIONS WITH OWNERS OF THE COMPANY								
Contributions and distributions								
Non-controlling interests on capital increases of subsidiaries	–	–	–	–	–	–	95	95
Equity-settled share-based payment arrangements	–	–	–	–	(71)	(71)	–	(71)
Total contribution and distributions	–	–	–	–	(71)	(71)	95	24
Changes in ownership interests								
Disposal of subsidiary with non-controlling interests	–	–	–	–	–	–	(17,452)	(17,452)
Total changes in ownership interests	–	–	–	–	–	–	(17,452)	(17,452)
Total transactions with owners of the Company	**–**	**–**	**–**	**–**	**(71)**	**(71)**	**(17,357)**	**(17,428)**
Balance at 31 December 2017	**9,046**	**569,847**	**5,368**	**7,544**	**(397,746)**	**194,059**	**4,769**	**198,828**

The notes on pages 46 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

	31 December 2017 €'000	31 December 2016 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss	(27,269)	(260,990)
Adjustments for:		
Net change in fair value of investment property	12,486	64,584
Impairment loss on trading properties	680	724
(Gain)/loss on disposal of investment in subsidiaries	(299)	23,932
Gain on disposal of investment in equity-accounted investees	(4)	(151)
Share of losses on equity-accounted investees, net of tax	–	34,389
Equity-settled share-based payment arrangements	(71)	(221)
Impairment loss on equity-accounted investees	–	109,265
Impairment loss on re-measurement of disposal groups	3,409	4,197
Impairment loss on available-for-sale financial assets	–	995
Impairment loss/(reversal of) and write offs of property, plant and equipment	2,456	(92)
(Reversal of) concession/write off of land	(193)	292
Depreciation charge	2,308	2,780
Interest income	(4,069)	(30)
Interest expense	7,865	15,314
Exchange difference	(11,560)	(13,922)
Taxation	(2,893)	(4,857)
	(17,154)	(23,791)
Changes in:		
Receivables	(1,778)	9,380
Payables	972	3,286
Cash used in operating activities	(17,960)	(11,125)
Tax received/(paid)	10	(74)
Net cash used in operating activities	**(17,950)**	**(11,199)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of subsidiaries, net of cash disposed of	26,293	61,239
Proceeds from disposal of investment in equity-accounted investees	700	1,101
Net acquisitions of investment property	(203)	(11)
Net acquisitions of property, plant and equipment	(153)	(2,515)
Net change in trading properties	(1,079)	3,200
Net change in net assets held for sale	193	291
Interest received	–	30
Net cash from investing activities	**25,751**	**63,335**
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds received from non-controlling interests	95	–
Change in loans and borrowings	(2,728)	(78,643)
Change in finance lease obligations	16	(51)
Interest paid	(7,401)	(10,652)
Net cash used in financing activities	**(10,018)**	**(89,346)**
Net decrease in cash and cash equivalents	**(2,217)**	**(37,210)**
Cash and cash equivalents at 1 January	4,698	41,990
Effect of movement in exchange rates on cash held	–	101
Cash and cash equivalents reclassified to assets held for sale	(37)	(183)
Cash and cash equivalents at 31 December	**2,444**	**4,698**
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of the following:		
Cash in hand and at bank (see note 21)	2,444	4,698
Cash and cash equivalents at the end of the year	**2,444**	**4,698**

The notes on pages 46 to 89 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. REPORTING ENTITY

Dolphin Capital Investors Limited (the 'Company') was incorporated and registered in the British Virgin Islands ('BVIs') on 7 June 2005. The Company is a real estate investment company focused on the early-stage, large-scale leisure-integrated residential resorts in south-east Europe and the Americas, and managed by Dolphin Capital Partners Limited (the 'Investment Manager'), an independent private equity management firm that specialises in real estate investments, primarily in south-east 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 as at 31 December 2017 comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates.

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 are available at www.dolphinci.com.

2. BASIS OF PREPARATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

The consolidated financial statements were authorised for issue by the Board of Directors on 4 May 2018.

b. Basis of preparation

The consolidated financial statements of the Company for the year ended 31 December 2017 have been prepared taking into account the Company's intention to dispose of all of its assets by 31 December 2019, as further explained below. The basis of preparation used continues to be in accordance with International Financial Reporting Standards as adopted by the European Union.

Based on the Company's new asset strategy approved by its shareholders in December 2016, the Company's objective is to dispose of all of the Company's assets by 31 December 2019. The allocation of any additional capital investment into any of the Company's projects will be substantially sourced from third party capital providers and with the sole objective of enhancing the respective asset's realisation potential until 31 December 2019. The Board expects to return the proceeds from asset disposals to shareholders, as the orderly realisation of the Company's assets progresses and taking into account the Company's liquidity position and working capital requirements. In the event that any assets are still held by the Company shortly before 31 December 2019, the Board will convene a shareholders' meeting at which appropriate resolutions for the future of the Company will be proposed.

c. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, with the exception of property (investment property and property, plant and equipment), which are stated at their fair values and assets and liabilities held for sale, which are stated at their fair value less costs to sell.

d. Adoption of new and revised standards and interpretations

As from 1 January 2017, the Group adopted all changes to IFRS which are relevant to its operations. This adoption did not have a material effect on the consolidated financial statements of the Company.

The following standards, amendments to standards and interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2017. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. The Group continues to assess the potential impact on its consolidated financial statements resulting from the application of the following standards.

(i) Standards and interpretations adopted by the EU

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2018)

In July 2014, the IAS issued the final version of IFRS 9, which replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss (ECL) model for calculating impairment on financial assets, and new general hedge accounting requirements. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Based on assessments undertaken to date, the adoption of IFRS 9 is not expected to have a material impact on the Group's financial statements.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group expects that the new classification requirements will not have a material impact on its accounting for trade and other receivables.

Notes to the consolidated financial statements

2. BASIS OF PREPARATION CONTINUED

d. Adoption of new and revised standards and interpretations continued

(i) Standards and interpretations adopted by the EU continued

Impairment – Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking ECL model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component. There is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to corroborate a more lagging default criterion.

The Group believes that the application of the new impairment requirements will not have a material impact on its financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. It provides a principles-based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The recognition of such revenue is in accordance with five steps: 1) identifying the contract with the customer; 2) identifying each of the performance obligations included in the contract; 3) determining the transaction price; 4) allocating the transaction price to the performance obligations in the contract; and 5) recognising revenue as each performance obligation is satisfied.

Based on assessments undertaken to date, the adoption of IFRS 15 is not expected to have a material impact on the Group's financial statements.

IFRS 15 (Clarifications) 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2018)

Clarifications to IFRS 15 provide additional application guidance but do not change the underlying principles of the standard. The clarifications relate principally to identifying performance obligations (step 2), accounting for licences of intellectual property (step 5) and agent vs principal considerations. The clarifications also introduce additional practical expedients on transition in relation to modified and completed contracts.

The application of the clarifications is not expected to have a material impact on the financial statements of the Group.

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard introduces a single, on-balance sheet lease accounting model for lessees. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the entity. The previous distinction between operating and finance leases is removed for lessees. Instead, a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. Based on assessments undertaken to date, the adoption of IFRS 16 is not expected to have a material impact on the Group's financial statements.

IAS 40 (Amendments) 'Transfers of Investment Property' (effective for annual periods beginning on or after 1 January 2018)

The amendments clarify the requirements on transfers to, or from, investment property. A transfer is made when, and only when, there is an actual change in use i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer. In addition, the amendments clarify that the revised examples of evidence of a change in use in the amended version of IAS 40 are not exhaustive. The amendments are not expected to have an impact on the Group's financial statements.

IFRS 2 (Amendments) 'Classification and Measurement of Share-based Payment Transactions' (effective for annual periods beginning on or after 1 January 2018)

The amendments cover three accounting areas: a) measurement of cash-settled share-based payments; b) classification of share-based payments settled net of tax withholdings; and c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements can affect the classification and/or measurements of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not expected to have an impact on the Group's financial statements.

Notes to the consolidated financial statements

2. BASIS OF PREPARATION CONTINUED

d. Adoption of new and revised standards and interpretations continued

(i) Standards and interpretations adopted by the EU continued

Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2017 (IFRS 12) and 1 January 2018 (IFRS 1 and IAS 28))

The amendments to IFRS 1 remove the outdated exemptions for first-time adopters of IFRS. The amendments to IAS 28 clarify that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. Additionally, a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries (election can be made separately for each investment entity associate or joint venture). The amendments are not expected to have an impact on the Group's financial statements.

(ii) Standards and interpretations not adopted by the EU

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The key test is whether it is probable that the tax authority will accept the chosen tax treatment, on the assumption that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty being either the most likely amount or the expected value. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in relation to judgements made, assumptions and estimates used, and the potential impact of uncertainties that are not reflected. The Group is currently evaluating the expected impact of adopting the interpretation on its financial statements. As such, the expected impact of the interpretation is not yet known or reasonably estimable.

Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019)

In December 2017, the IASB published Annual Improvements to IFRSs 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements'. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest in that business at fair value. The amendments to IFRS 11 clarify that when an entity maintains (or obtains) joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 'Income Taxes': the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
- IAS 23 'Borrowing Costs': the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group is currently evaluating the expected impact of adopting the amendments on its financial statements. As such, the expected impact of the amendments is not yet known or reasonably estimable.

Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)

In March 2018 the IASB issued a comprehensive set of concepts for financial reporting, the revised 'Conceptual Framework for Financial Reporting' (Conceptual Framework), replacing the previous version issued in 2010. The main changes to the framework's principles have implications for how and when assets and liabilities are recognised and derecognised in the financial statements, while some of the concepts in the revised Framework are entirely new (such as the 'practical ability' approach to liabilities). To assist companies with the transition, the IASB issued a separate accompanying document 'Amendments to References to the Conceptual Framework in IFRS Standards'. This document updates some references to previous versions of the Conceptual Framework in IFRS Standards, their accompanying documents and IFRS Practice Statements. The Group is currently evaluating the expected impact of adopting the amendment on its financial statements. As such, the expected impact of the amendment is not yet known or reasonably estimable.

e. Use of estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires from management the exercise of judgement, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

Notes to the consolidated financial statements

2. BASIS OF PREPARATION CONTINUED

e. Use of estimates and judgements continued

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described below:

Work in progress

Work in progress is stated at cost plus any attributable profit less any foreseeable losses and less amounts received or receivable as progress payments. The cost of work in progress includes materials, labour and direct expenses plus attributable overheads based on a normal level of activity. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

Revenue recognition

The Group applies the provisions of IAS 18 of accounting for revenue from sale of developed property, under which income and cost of sales are recognised upon delivery and when substantially all risks have been transferred to the buyer.

Provision for bad and doubtful debts

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

Taxation

Significant judgement is required in determining the provision for taxation. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Going concern assumptions

The Group's cash flow forecasts for the foreseeable future involve uncertainties related primarily to the exact disposal proceeds and timing of disposals of the assets expected to be disposed of. Management believes that the proceeds from forecasted asset sales will be sufficient to maintain the Group's cash flow at a positive level. Should the need arise, management is confident that it can secure additional banking facilities and/or obtain waivers on existing ones, until planned asset sales are realised and proceeds received. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Significant unobservable inputs and valuation adjustments are regularly reviewed and changes in fair value measurements from period to period are analysed.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

When applicable, further information about the assumptions made in measuring fair values is included in the notes specific to that asset or liability.

f. Functional and presentation currency

These consolidated financial statements are presented in Euro (€), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Notes to the consolidated financial statements

3. DETERMINATION OF FAIR VALUES

Properties

The fair value of investment property and land and buildings classified as property, plant and equipment is determined at the end of each reporting period. External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued, value the Group's properties at the end of each year and where necessary, semi-annually.

The Directors have appointed Colliers International and American Appraisal, two internationally recognised firms of surveyors, to conduct valuations of the Group's acquired properties to determine their fair value. These valuations are prepared in accordance with generally accepted appraisal standards, as set out by the Royal Institute of Chartered Surveyors ('RICS'). Furthermore, the valuations are conducted on an 'as is condition' and on an open market comparative basis.

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 fair 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 the development cost from the estimated sales value of the completed development.

Each of the above-mentioned valuation techniques results in a separate valuation indication for the subject property. A reconciliation process is then 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.

Financial assets

The fair value of financial assets that are listed on a stock exchange is determined by reference to their quoted bid price at the reporting date. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in process, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Equity-settled share-based payment arrangements

The fair value of equity-settled share-based payment arrangements are measured at grant date using the Trinomial Tree Option Pricing Model and Monte Carlo simulations. Service and non-market performance conditions attached to the arrangements are not taken into account in measuring fair value.

Notes to the consolidated financial statements

4. PRINCIPAL SUBSIDIARIES

As at 31 December 2017, the Group's most significant subsidiaries were the following:

Name	Project	Country of incorporation	Shareholding interest
Scorpio Bay Holdings Limited	Scorpio Bay Resort	Cyprus	100%
Scorpio Bay Resorts S.A.	Scorpio Bay Resort	Greece	100%
Latirus Enterprises Limited ('Latirus')	Sitia Bay Golf Resort	Cyprus	80%
Iktinos Techniki Touristiki S.A. ('Iktinos')	Sitia Bay Golf Resort	Greece	78%
Xscape Limited	Lavender Bay Resort	Cyprus	100%
Golfing Developments S.A.	Lavender Bay Resort	Greece	100%
MindCompass Overseas Limited	Kilada Hills Golf Resort	Cyprus	100%
MindCompass Overseas S.A.	Kilada Hills Golf Resort	Greece	100%
MindCompass Overseas Two S.A.	Kilada Hills Golf Resort	Greece	100%
MindCompass Parks S.A.	Kilada Hills Golf Resort	Greece	100%
Dolphin Capital Greek Collection Limited	Kilada Hills Golf Resort	Cyprus	100%
DCI Holdings One Limited ('DCI H1')	Aristo Developers	BVIs	100%
D.C. Apollo Heights Polo and Country Resort Limited	Apollo Heights Resort	Cyprus	100%
Symboula Estates Limited	Apollo Heights Resort	Cyprus	100%
DolphinCI Fourteen Limited ('DCI 14')	Amanzoe	Cyprus	100%
Eidikou Skopou Dekatessera S.A. ('ES 14')	Amanzoe	Greece	100%
Eidikou Skopou Dekaokto S.A. ('ES 18')	Amanzoe	Greece	100%
Single Purpose Vehicle Two Limited ('SPV 2')	Amanzoe	Cyprus	64%
Eidikou Skopou Eikosi Ena S.A.	Amanzoe	Greece	64%
Azurna Uvala D.o.o. ('Azurna')	Livka Bay Resort	Croatia	100%
Eastern Crete Development Company S.A.	Plaka Bay Resort	Greece	100%
DolphinLux 2 S.a.r.l.	La Vanta-Mediterra Resorts	Luxembourg	100%
Kalkan Yapi ve Turizm A.S. ('Kalkan')	La Vanta-Mediterra Resorts	Turkey	100%
Single Purpose Vehicle Eight Limited	Triopetra	Cyprus	100%
Eidikou Skopou Dekapente S.A.	Triopetra	Greece	100%
Single Purpose Vehicle Ten Limited ('SPV 10')	Kéa Resort	Cyprus	67%
Eidikou Skopou Eikosi Tessera S.A.	Kéa Resort	Greece	67%

The above shareholding interest percentages are rounded to the nearest integer.

As at 31 December 2017 and 31 December 2016, all or part of the shares held by the Company in some of its subsidiaries are pledged as a security for loans (see note 23).

Notes to the consolidated financial statements

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented in these consolidated financial statements unless otherwise stated.

5.1 Subsidiaries

Subsidiaries are those entities, including special purpose entities, controlled by the Group. 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 Business combinations

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

5.4 Interest in equity-accounted investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

5.5 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or for administration purposes. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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 5.10.

Notes to the consolidated financial statements

5. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

5.6 Property, plant and equipment

Land and buildings are carried at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Revaluations are carried out with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to fair value reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are recognised in profit or loss.

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 charge is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment, unless it constitutes part of the cost of another asset in which case it is included in this asset's carrying amount. Freehold land is not depreciated.

The annual rates of depreciation are as follows:

Buildings	3%
Machinery and equipment	10% – 33.33%
Motor vehicles and other	10% – 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.

5.7 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss.

Once classified as held for sale, property, plant and equipment is no longer depreciated, and any equity-accounted investee is no longer equity accounted.

5.8 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.

5.9 Work in progress

Work in progress is stated at cost plus any attributable profit less any foreseeable losses and less amounts received or receivable as progress payments. The cost of work in progress includes materials, labour and direct expenses plus attributable overheads based on a normal level of activity.

5.10 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.

5.11 Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy 5.21).

Notes to the consolidated financial statements

5. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

5.12 Financial assets

The classification of the Group's investments in equity securities depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every statement of financial position date.

Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale. These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss. In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of fair value reserve.

5.13 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 consolidated statement of cash flows.

5.14 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.

5.15 Dividends

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

5.16 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 profit or loss over the period of the borrowings on an effective interest basis.

5.17 Trade and other payables

Trade and other payables are stated at their cost.

5.18 Prepayments from clients

Payments received in advance on development contracts for which no revenue has been recognised yet are recorded as prepayments from clients as at the statement of financial position date and carried under deferred income. Payments received in advance on development contracts for which revenue has been recognised are recorded as prepayments from clients to the extent that they exceed revenue that was recognised in profit or loss as at the statement of financial position date.

5.19 Provisions

A provision is recognised in the consolidated statement of financial position 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.

5.20 Expenses

Investment Manager remuneration, Directors' remuneration, operational expenses, professional fees, administrative and other expenses are accounted for on an accrual basis. Expenses are charged to profit or loss, 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.

Notes to the consolidated financial statements

5. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

5.21 Impairment

The carrying amounts of the Group's assets, other than investment property (see accounting policy 5.5) and deferred tax assets (see accounting policy 5.31), are reviewed at each statement of financial position 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 profit or loss. 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.

5.22 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group. A discontinued operation has either been disposed of or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation; or

(c) is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

5.23 Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of value added tax, rebates and discounts. Revenues earned by the Group are recognised on the following bases:

Income from land and buildings under development

The Group applies IAS 18 'Revenue' for income from land and buildings under development, according to which revenue and the related costs are recognised in profit or loss when the building has been completed and delivered and all associated risks have been transferred to the buyer.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, as measured by the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

5.24 Equity-settled share-based payment arrangements

The grant-date fair value of equity-settled share-based arrangements is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The grant-date fair value is measured to reflect market performance conditions and there is no true-up for differences between expected and actual outcomes. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

5.25 Finance income and costs

Finance income comprises interest income on funds invested, dividend income and gains on the disposal of and increase in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on the disposal of and reduction in the fair value of financial assets at fair value through profit or loss.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

Notes to the consolidated financial statements

5. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

5.26 Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

5.27 Foreign operations

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

The income and expenses of foreign operations in hyperinflationary economies are translated to Euro at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

5.28 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (operating 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. Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5.29 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.

5.30 NAV per share

The Group presents NAV per share by dividing the total equity attributable to owners of the Company by the number of shares outstanding as at the statement of financial position date.

5.31 Taxation

Taxation comprises current and deferred tax. Taxation is recognised in profit or loss, 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 statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to the tax liabilities will impact tax expense in the period that such a determination is made.

Notes to the consolidated financial statements

5. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

5.32 Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants related to non-current assets are recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset. Government grants that relate to expenses are recognised in profit or loss as revenue.

5.33 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

6. REVENUE

	From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Continuing operations €'000	Discontinued operation €'000	Total €'000	Continuing operations €'000	Discontinued operation €'000	Total €'000
Income from hotel operations	18,410	–	18,410	14,291	4,354	18,645
Income from operation of golf courses	–	–	–	–	126	126
Income from construction contracts	–	–	–	–	1,032	1,032
Sale of trading and investment properties	220	–	220	3,430	3,614	7,044
Rental income	18	–	18	56	–	56
Other income	854	–	854	371	1,478	1,849
Total	**19,502**	**–**	**19,502**	**18,148**	**10,604**	**28,752**

7. COST OF SALES

	From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Continuing operations €'000	Discontinued operation €'000	Total €'000	Continuing operations €'000	Discontinued operation €'000	Total €'000
Cost of sales related to:						
Hotel operations	6,385	–	6,385	4,430	2,145	6,575
Golf course operations	–	–	–	–	144	144
Sales of trading and investment properties	248	–	248	5,257	1,735	6,992
Electricity and fuel	137	–	137	97	10	107
Personnel expenses (see below)	6,346	254	6,600	5,592	3,500	9,092
Branding management fees	1,522	–	1,522	1,585	661	2,246
Other operating expenses	553	114	667	396	25	421
Total	**15,191**	**368**	**15,559**	**17,357**	**8,220**	**25,577**

Personnel expenses

Continuing operations

	From 1 January 2017 to 31 December 2017		
	Hotel & leisure operations €'000	Project maintenance & development €'000	Total €'000
Wages and salaries	4,477	521	4,998
Compulsory social security contributions	1,063	114	1,177
Other personnel costs	149	22	171
Total	**5,689**	**657**	**6,346**
The average number of employees employed by the Group during the year was	**169**	**26**	**195**

Notes to the consolidated financial statements

7. COST OF SALES CONTINUED

Discontinued operation

	From 1 January 2017 to 31 December 2017		
	Hotel & leisure operations €'000	Project maintenance & development €'000	Total €'000
Wages and salaries	–	174	174
Compulsory social security contributions	–	37	37
Other personnel costs	–	43	43
Total	**–**	**254**	**254**
The average number of employees employed by the Group during the year was	**–**	**33**	**33**

Continuing operations

	From 1 January 2016 to 31 December 2016		
	Hotel & leisure operations €'000	Project maintenance & development €'000	Total €'000
Wages and salaries	3,858	493	4,351
Compulsory social security contributions	948	103	1,051
Other personnel costs	167	23	190
Total	**4,973**	**619**	**5,592**
The average number of employees employed by the Group during the year was	**172**	**25**	**197**

Discontinued operation

	From 1 January 2016 to 31 December 2016		
	Hotel & leisure operations €'000	Project maintenance & development €'000	Total €'000
Wages and salaries	842	1,514	2,356
Compulsory social security contributions	95	559	654
Other personnel costs	367	123	490
Total	**1,304**	**2,196**	**3,500**
The average number of employees employed by the Group during the year was	**134**	**104**	**238**

8. INCOME AND EXPENSES

A. Disposal of investments

		From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Note	Continuing operations €'000	Discontinued operation €'000	Total €'000	Continuing operations €'000	Discontinued operation €'000	Total €'000
Gain/(loss) on disposal of investment in subsidiaries	31	–	299	299	634	(24,566)	(23,932)
Gain on disposal of investment in equity-accounted investees held for sale	18	4	–	4	151	–	151
Total		**4**	**299**	**303**	**785**	**(24,566)**	**(23,781)**

Notes to the consolidated financial statements

8. INCOME AND EXPENSES CONTINUED

B. Change in valuations

	Note	From 1 January 2017 to 31 December 2017 Continuing operations €'000	Discontinued operation €'000	Total €'000	From 1 January 2016 to 31 December 2016 Continuing operations €'000	Discontinued operation €'000	Total €'000
Net change in fair value of investment property	17	(12,486)	–	(12,486)	(22,126)	(42,458)	(64,584)
Impairment loss on trading properties	19	(680)	–	(680)	(724)	–	(724)
Impairment loss on re-measurement of disposal groups	18	(3,409)	–	(3,409)	(4,197)	–	(4,197)
Impairment loss on equity-accounted investees held for sale	18	–	–	–	(109,265)	–	(109,265)
Impairment loss on available-for-sale financial assets held for sale		–	–	–	–	(995)	(995)
(Impairment loss)/reversal of and write offs of property, plant and equipment	16	(2,456)	–	(2,456)	92	–	92
Reversal of (concession/write off) of land		193	–	193	(292)	–	(292)
Total		**(18,838)**	**–**	**(18,838)**	**(136,512)**	**(43,453)**	**(179,965)**

9. SEGMENT REPORTING

Operating segments

The Group has two reportable operating segments, the 'Hotel & leisure operations' and 'Construction & development' segments. Information related to each operational reportable segment is set out below. Segment profit/(loss) before tax is used to measure performance as management believes such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	Hotel & leisure operations Continuing operations €'000	Discontinued operation €'000	Construction & development Continuing operations €'000	Discontinued operation €'000	Other Continuing operations €'000	Discontinued operation €'000	Reportable segments' totals Continuing operations €'000	Discontinued operation €'000
31 December 2017								
Revenue	18,410	–	235	–	857	–	19,502	–
Cost of sales	(13,299)	–	(1,747)	(368)	(145)	–	(15,191)	(368)
Investment Manager remuneration	–	–	–	–	(7,606)	–	(7,606)	–
Directors' remuneration	–	–	–	–	(701)	–	(701)	–
Depreciation charge	(2,308)	–	–	–	–	–	(2,308)	–
Professional fees	–	–	(200)	(29)	(4,291)	(78)	(4,491)	(107)
Administrative and other expenses	–	–	(4,144)	(80)	(2,325)	(942)	(6,469)	(1,022)
Gain on disposal of investments in subsidiaries	–	–	–	–	–	299	–	299
Gain on disposal of investments in equity-accounted investees held for sale	–	–	4	–	–	–	4	–
Net change in fair value of investment property	–	–	–	–	(12,486)	–	(12,486)	–
Impairment loss on trading properties	–	–	(680)	–	–	–	(680)	–
Impairment loss on re-measurement of disposal groups	–	–	(1,081)	–	(2,328)	–	(3,409)	–
Impairment loss and write offs of property, plant and equipment	(1,388)	–	–	–	(1,068)	–	(2,456)	–
Concession/write off of land	–	–	–	–	193	–	193	–
Results from operating activities	**1,415**	**–**	**(7,613)**	**(477)**	**(29,900)**	**(721)**	**(36,098)**	**(1,198)**
Finance income	–	–	–	–	4,069	13,471	4,069	13,471
Finance costs	(2,335)	–	(3,695)	–	(4,376)	–	(10,406)	–
Net finance (costs)/income	**(2,335)**	**–**	**(3,695)**	**–**	**(307)**	**13,471**	**(6,337)**	**13,471**
(Loss)/profit before taxation	**(920)**	**–**	**(11,308)**	**(477)**	**(30,207)**	**12,750**	**(42,435)**	**12,273**
Taxation	–	–	5	–	2,888	–	2,893	–
(Loss)/profit	**(920)**	**–**	**(11,303)**	**(477)**	**(27,319)**	**12,750**	**(39,542)**	**12,273**

Notes to the consolidated financial statements

9. SEGMENT REPORTING CONTINUED

	Hotel & leisure operations		Construction & development		Other		Reportable segments' totals	
	Continuing operations €'000	Discontinued operation €'000	Continuing operations €'000	Discontinued operation €'000	Continuing operations €'000	Discontinued operation €'000	Continuing operations €'000	Discontinued operation €'000
31 December 2016								
Revenue	14,291	4,480	3,444	6,038	413	86	18,148	10,604
Cost of sales	(10,458)	(4,254)	(6,273)	(3,933)	(626)	(33)	(17,357)	(8,220)
Investment Manager remuneration	–	–	–	–	(11,406)	–	(11,406)	–
Directors' remuneration	–	–	–	–	(1,509)	–	(1,509)	–
Depreciation charge	(2,269)	(117)	(15)	(379)	–	–	(2,284)	(496)
Professional fees	–	–	(210)	(1,920)	(5,270)	(118)	(5,480)	(2,038)
Administrative and other expenses	–	–	(234)	(1,003)	(1,998)	(504)	(2,232)	(1,507)
Gain/(loss) on disposal of investments in subsidiaries	–	(24,566)	(563)	–	1,197	–	634	(24,566)
Gain on disposal of investments in equity-accounted investees held for sale	–	–	151	–	–	–	151	–
Net change in fair value of investment property	–	–	–	–	(22,126)	(42,458)	(22,126)	(42,458)
Impairment loss on trading properties	–	–	(724)	–	–	–	(724)	–
Impairment loss on re-measurement of disposal groups	(666)	–	(1,496)	–	(2,035)	–	(4,197)	–
Impairment loss on equity-accounted investees	–	–	(109,265)	–	–	–	(109,265)	–
Impairment loss on available-for-sale financial assets	–	–	–	–	–	(995)	–	(995)
Reversal of (impairment loss) and write offs of property, plant and equipment	238	–	–	–	(146)	–	92	–
Concession/write off of land	–	–	–	–	(292)	–	(292)	–
Results from operating activities	**1,136**	**(24,457)**	**(115,185)**	**(1,197)**	**(43,798)**	**(44,022)**	**(157,847)**	**(69,676)**
Finance income	–	–	–	–	29	13,557	29	13,557
Finance costs	(3,131)	–	(3,007)	(2,399)	(8,961)	(23)	(15,099)	(2,422)
Net finance (costs)/income	**(3,131)**	**–**	**(3,007)**	**(2,399)**	**(8,932)**	**13,534**	**(15,070)**	**11,135**
Share of losses on equity-accounted investees, net of tax	–	–	(34,389)	–	–	–	(34,389)	–
Loss before taxation	**(1,995)**	**(24,457)**	**(152,581)**	**(3,596)**	**(52,730)**	**(30,488)**	**(207,306)**	**(58,541)**
Taxation	–	–	(1,546)	1,273	5,130	–	3,584	1,273
Loss	**(1,995)**	**(24,457)**	**(154,127)**	**(2,323)**	**(47,600)**	**(30,488)**	**(203,722)**	**(57,268)**

Notes to the consolidated financial statements

9. SEGMENT REPORTING CONTINUED

Geographical segments

Information in relation to the geographical regions in which the Group operates is set below:

	Americas[1] (Discontinued) €'000	South-East Europe[2] €'000	Other[3] €'000	Reportable segment totals €'000	Adjustments[4] €'000	Consolidated totals €'000
31 December 2017						
Property, plant and equipment	–	87,551	–	87,551	–	87,551
Investment property	–	138,672	–	138,672	–	138,672
Trading properties	–	30,572	–	30,572	–	30,572
Cash and cash equivalents	–	1,063	1,381	2,444	–	2,444
Assets held for sale	834	128,297	–	129,131	–	129,131
Intra-group debit balances	–	50,670	594,368	645,038	(645,038)	–
Other assets	–	3,905	2,463	6,368	–	6,368
Total assets	**834**	**440,730**	**598,212**	**1,039,776**	**(645,038)**	**394,738**
Loans and borrowings	–	89,715	–	89,715	–	89,715
Finance lease liabilities	–	2,998	–	2,998	–	2,998
Deferred tax liabilities	–	19,561	–	19,561	–	19,561
Liabilities held for sale	–	25,766	–	25,766	–	25,766
Intra-group credit balances	–	441,500	203,538	645,038	(645,038)	–
Other liabilities	–	56,029	1,841	57,870	–	57,870
Total liabilities	–	**635,569**	**205,379**	**840,948**	**(645,038)**	**195,910**
Revenue	–	19,499	3	19,502	–	19,502
Cost of sales	–	(15,191)	–	(15,191)	–	(15,191)
Disposal of investments	–	4	–	4	–	4
Change in valuations	–	(18,838)	–	(18,838)	–	(18,838)
Investment Manager remuneration	–	(1,350)	(6,256)	(7,606)	–	(7,606)
Other operating expenses	–	(10,514)	(3,455)	(13,969)	–	(13,969)
Net finance cost	–	(6,334)	(3)	(6,337)	–	(6,337)
Loss before taxation	–	**(32,724)**	**(9,711)**	**(42,435)**	–	**(42,435)**
Taxation	–	2,893	–	2,893	–	2,893
Loss from continuing operations	–	**(29,831)**	**(9,711)**	**(39,542)**	–	**(39,542)**
Profit from discontinued operation, net of tax	**12,273**	–	–	**12,273**	–	**12,273**
Profit/(loss)	**12,273**	**(29,831)**	**(9,711)**	**(27,269)**	–	**(27,269)**

Notes to the consolidated financial statements

9. SEGMENT REPORTING CONTINUED

	Americas[1] (Discontinued) €'000	South-East Europe[2] €'000	Other[3] €'000	Reportable segment totals €'000	Adjustments[4] €'000	Consolidated totals €'000
31 December 2016						
Property, plant and equipment	–	87,647	–	87,647	–	87,647
Investment property	–	176,548	–	176,548	–	176,548
Trading properties	–	29,763	–	29,763	–	29,763
Cash and cash equivalents	–	3,415	1,283	4,698	–	4,698
Assets held for sale	55,909	106,829	–	162,738	–	162,738
Intra-group debit balances	15,277	51,899	589,489	656,665	(656,665)	–
Other assets	–	4,378	316	4,694	–	4,694
Total assets	**71,186**	**460,479**	**591,088**	**1,122,753**	**(656,665)**	**466,088**
Loans and borrowings	–	92,270	–	92,270	–	92,270
Finance lease liabilities	–	2,982	–	2,982	–	2,982
Deferred tax liabilities	–	24,255	–	24,255	–	24,255
Liabilities held for sale	10,800	16,397	–	27,197	–	27,197
Intra-group credit balances	170,031	425,771	60,863	656,665	(656,665)	–
Other liabilities	–	64,678	2,826	67,504	–	67,504
Total liabilities	**180,831**	**626,353**	**63,689**	**870,873**	**(656,665)**	**214,208**
Revenue	–	18,148	–	18,148	–	18,148
Cost of sales	–	(17,357)	–	(17,357)	–	(17,357)
Disposal of investments	–	785	–	785	–	785
Change in valuations	–	(136,512)	–	(136,512)	–	(136,512)
Share of losses on equity-accounted investees, net of tax	–	(34,389)	–	(34,389)	–	(34,389)
Investment Manager remuneration	–	(1,390)	(10,016)	(11,406)	–	(11,406)
Other operating expenses	–	(6,172)	(5,333)	(11,505)	–	(11,505)
Net finance cost	–	(11,466)	(3,604)	(15,070)	–	(15,070)
Loss before taxation	**–**	**(188,353)**	**(18,953)**	**(207,306)**	**–**	**(207,306)**
Taxation	–	3,584	–	3,584	–	3,584
Loss from continuing operations	**–**	**(184,769)**	**(18,953)**	**(203,722)**	**–**	**(203,722)**
Loss from discontinued operation, net of tax	**(57,268)**	**–**	**–**	**(57,268)**	**–**	**(57,268)**
Loss	**(57,268)**	**(184,769)**	**(18,953)**	**(260,990)**	**–**	**(260,990)**

1. Americas comprises the Group's activities in the Dominican Republic and the Republic of Panama. It also includes the investment in Itacare Capital Investments Ltd ('Itacare') (see note 18).
2. South-East Europe comprises the Group's activities in Cyprus, Greece, Croatia and Turkey.
3. Other comprises the parent company, Dolphin Capital Investors Limited.
4. Adjustments consist of intra-group eliminations.

Country risk developments

The general economic environment prevailing in the south-east Europe area and internationally may affect the Group's operations. Factors such as inflation, unemployment, public health crises, international trade and development of the gross domestic product directly impact the economy of each country and variation in these and the economic environment in general affect the Group's performance to a certain extent.

The global fundamentals of the hospitality sector remained strong during 2016 and 2017, with both international tourism and wealth continuing to grow, even though economic activity in two of the Group's primary markets, Greece and Cyprus, continued to face significant challenges. The business climate is steadily improving in Cyprus assisted by the legislative reforms implemented during the last three years by the Cypriot government.

Notes to the consolidated financial statements

9. SEGMENT REPORTING CONTINUED

Greece

While throughout 2016 Greek economic growth was essentially flat, Greece's successful return to the capital markets sent a clear sign that the country is finally recovering following its recent bailout programme. Greece returned to the bond markets for the first time since 2014, pricing €3 billion of new five-year bonds at a yield of 4.625%. Gross Domestic Product of Greece grew 1.4% in 2017 compared to 2016. In addition, macroeconomic indicators have been quite encouraging about the country's economic perspectives and following the upgrade in the country's credit rating by S&P in January 2018, Fitch and Moody's also proceeded with corresponding upgrades in February 2018 and made very favourable assessments of the Greek economy's progress.

The tourism sector is expected to have a significant impact on the recovery of the country's economy and on curbing the external trade deficit. Official data released by the Greek Tourism Confederation confirmed that 2016 was an all-time record year for Greek tourism as the number of tourism arrivals in Greece increased 9% compared to 2015. According to the latest data issued by the Bank of Greece, more than 27 million tourists (excluding cruise passengers) arrived in Greece in 2017, recording a rise of c.10%, while travel receipts during the same period totalled €14.6 billion, up 10.5% compared to 2016.

Cyprus

Cyprus successfully concluded its three-year European Stability Mechanism ('ESM') financial assistance programme on 31 March 2016. The ESM disbursed €6.3 billion, in addition to around €1 billion in loans from the IMF, out of a loan package of up to €10 billion. The Cypriot authorities did not need the remaining €2.7 billion. The emerging economic recovery has been reinforced since then, placing the island amongst the highest accelerating economies in Europe with the economy expanding by 3.4% year-on-year in 2017, driven mainly by improved levels of private consumption and a record year for the tourism industry.

The available data for the tourism industry highlighted, once again, that tourism was amongst the key catalysts for the country's 2016 economic performance, as revenues reached €2.4 billion at the end of the year, surpassing the total tourism revenues recorded throughout 2015 (€2.1 million) by 11.9%. Total arrivals amounted to 3.2 million in 2016 versus 2.7 million in 2015. Tourist arrivals in Cyprus recorded an impressive increase in 2017, according to the Cyprus Tourism Organisation (CTO). For the period of January – December 2017 tourist arrivals totalled 3.7 million, recording an increase of 14.6% and outnumbering the total arrivals ever recorded in Cyprus during a year. The Cyprus Tourism Organisation is expecting another strong year for the industry in 2018.

During 2017, real estate sales contracts increased by 24% compared to prior year. The acceleration was due to established incentives such as the scheme for naturalisation of investors in Cyprus by exception, which has attracted mainly non-EU buyers, as well as transactions recorded by local banks in the context of implementing Debt-for-Asset swaps for the restructuring of their Non-Performing Exposures. Recognising the growing interest, Cyprus has focused on modernising legislation, introducing tax incentives and speeding up licensing procedures.

10. DISCONTINUED OPERATION

In 2016, the Group sold Playa Grande (owner of 'Amanera, Dominican Republic') and also committed to a plan to sell Pearl (owner of 'Pearl Island, Republic of Panama'). Playa Grande and Pearl constituted the operations of the Group in the Americas geographical area, which, as at 31 December 2016, was presented as a discontinued operation. Pearl was also classified as a disposal group held for sale as at 31 December 2016. During 2017, Pearl was disposed of.

Results of discontinued operation

	Note	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
Revenue	6	–	10,604
Expenses			
Cost of sales	7	(368)	(8,220)
Change in valuations	8B	–	(43,453)
Depreciation charge	16	–	(496)
Professional fees	11	(107)	(2,038)
Administrative and other expenses	12	(1,022)	(1,507)
Net finance income	13	13,471	11,135
Results from operating activities		**11,974**	**(33,975)**
Taxation	14	–	1,273
Results from operating activities, net of tax		**11,974**	**(32,702)**
Profit/(loss) on disposal of discontinued operation	8A	**299**	**(24,566)**
Profit/(loss) from discontinued operation, net of tax		**12,273**	**(57,268)**

Notes to the consolidated financial statements

10. DISCONTINUED OPERATION CONTINUED

Cash flows used in discontinued operation

	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
Net cash used in operating activities	(26,476)	(57,452)
Net cash from investing activities	26,293	60,394
Net cash used in financing activities	–	(4,945)
Net cash flows for the year	**(183)**	**(2,003)**

11. PROFESSIONAL FEES

	From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Continuing operations €'000	Discontinued operation €'000	Total €'000	Continuing operations €'000	Discontinued operation €'000	Total €'000
Legal fees	868	19	887	940	73	1,013
Auditors' remuneration (see below)	618	28	669	683	30	713
Accounting expenses	333	–	310	294	6	300
Appraisers' fees	71	–	71	92	–	92
Project design and development fees	1,751	21	1,772	1,863	1,008	2,871
Consultancy fees	216	–	216	741	86	827
Administrator fees	29	27	56	117	26	143
Other professional fees	605	12	617	750	809	1,559
Total	**4,491**	**107**	**4,598**	**5,480**	**2,038**	**7,518**

	From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Continuing operations €'000	Discontinued operation €'000	Total €'000	Continuing operations €'000	Discontinued operation €'000	Total €'000
Auditors' remuneration comprises the following fees:						
Audit and other audit related services	583	28	611	650	30	680
Tax and advisory	35	–	58	33	–	33
Total	**618**	**28**	**669**	**683**	**30**	**713**

12. ADMINISTRATIVE AND OTHER EXPENSES

	From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Continuing operations €'000	Discontinued operation €'000	Total €'000	Continuing operations €'000	Discontinued operation €'000	Total €'000
Travelling and accommodation	247	–	247	432	85	517
Insurance	133	–	133	122	32	154
Repairs and maintenance	278	5	283	83	56	139
Marketing and advertising expenses	269	13	282	281	164	445
Immovable property and other taxes	448	–	448	467	–	467
Rents	250	23	273	189	156	345
Site housing expenses	–	32	32	–	601	601
Litigation liability provision	4,000	–	4,000	–	–	–
Other	844	949	1,793	658	413	1,071
Total	**6,469**	**1,022**	**7,491**	**2,232**	**1,507**	**3,739**

Notes to the consolidated financial statements

13. NET FINANCE COSTS

	From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Continuing operations €'000	Discontinued operation €'000	Total €'000	Continuing operations €'000	Discontinued operation €'000	Total €'000
RECOGNISED IN PROFIT OR LOSS						
Interest income (see note 27)	4,069	–	4,069	29	1	30
Exchange difference	–	13,471	13,471	–	13,556	13,556
Finance income	**4,069**	**13,471**	**17,540**	**29**	**13,557**	**13,586**
Interest expense	(7,865)	–	(7,865)	(12,928)	(2,386)	(15,314)
Bank charges	(684)	–	(684)	(571)	(36)	(607)
Exchange difference	(1,857)	–	(1,857)	(1,600)	–	(1,600)
Finance costs	**(10,406)**	**–**	**(10,406)**	**(15,099)**	**(2,422)**	**(17,521)**
Net finance (costs)/income recognised in profit or loss	**(6,337)**	**13,471**	**7,134**	**(15,070)**	**11,135**	**(3,935)**

	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Foreign currency translation differences	(11,561)	(7,458)
Finance costs recognised in other comprehensive income	**(11,561)**	**(7,458)**

14. TAXATION

	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
RECOGNISED IN PROFIT OR LOSS		
TAXATION ON CONTINUING OPERATIONS		
Income tax	(48)	(26)
Net deferred tax	(2,845)	(3,558)
Taxation recognised in profit or loss – continuing operations	**(2,893)**	**(3,584)**
TAXATION ON DISCONTINUED OPERATION		
Income tax	–	–
Net deferred tax	–	(1,273)
Taxation recognised in profit or loss – discontinued operation	**–**	**(1,273)**
Total	**(2,893)**	**(4,857)**
RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Revaluation of property, plant and equipment (see note 24)	1,309	1,682
Taxation recognised in other comprehensive income	**1,309**	**1,682**

Reconciliation of taxation based on taxable loss and taxation based on accounting loss:

	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
Loss before taxation	(42,435)	(207,306)
Taxation using domestic tax rates	(10,384)	(13,470)
Effect of valuation loss on properties	(2,845)	(3,558)
Non-deductible expenses	9,958	8,793
Tax-exempt income	(3)	(591)
Current year losses for which no deferred tax is recognised	1,018	5,334
Effect of tax losses utilised	(457)	(6)
Effect of losses surrendered to Group companies	(133)	(19)
Other	(47)	(67)
Total	**(2,893)**	**(3,584)**

Notes to the consolidated financial statements

14. TAXATION CONTINUED

As a company incorporated under the BVI International Business Companies Act (Cap. 291), the Company is exempt from taxes on profits, 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.

The profits of the Cypriot companies of the Group are subject to a corporation tax rate of 12.50% on their total taxable profits. Tax losses of Cypriot companies are carried forward to reduce future profits for a period of five years. In addition, the Cypriot companies of the Group are subject to a 3% special contribution on rental income. Under certain conditions, interest income may be subject to a special contribution at the rate of 30%. In such cases, this interest is exempt from corporation tax.

In Greece, the corporation tax rate applicable to profits is 29%. Tax losses of Greek companies are carried forward to reduce future profits for a period of five years. In Turkey, the corporation tax rate is 20%. Tax losses of Turkish companies are carried forward to reduce future profits for a period of five years. In Croatia, the corporation tax rate is 18% (2016: 20%). Tax losses of Croatian companies are carried forward to reduce future profits for a period of five years.

The Group's subsidiary in the Dominican Republic, which was disposed of during the year 2016, had been granted a 100% exemption on local and municipal taxes by the Dominican Republic's Confotur (Tourism Promotion Council), for a period of 15 years, effective from the finalisation of the construction of the project. In the Republic of Panama, the corporation tax rate is 25% and the capital gains tax rate is 10%. The Panamanian tax legislation further contemplates a method of taxation which involves a 3% advance on the tax, which is not calculated on the actual gain, but on the total value of the transfer or on the registered value of the property (whichever may be higher). In some instances, this 3% may be considered by the taxpayer as the final tax payable. Tax losses of companies in the Republic of Panama are carried forward to reduce future profits for a period of five years. During 2017, the Group's subsidiaries in Panama were disposed of.

15. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of common shares outstanding during the year.

	From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Continuing operations '000	Discontinued operation '000	Total '000	Continuing operations '000	Discontinued operation '000	Total '000
(Loss)/profit attributable to owners of the Company (€)	(39,297)	7,311	(31,986)	(203,363)	(40,399)	(243,762)
Number of weighted average common shares outstanding	904,627	904,627	904,627	904,627	904,627	904,627
Basic (loss)/earnings per share (€)	**(0.04)**	**0.01**	**(0.03)**	**(0.22)**	**(0.05)**	**(0.27)**

(Loss)/profit attributable to owners of the Company

	From 1 January 2017 to 31 December 2017			From 1 January 2016 to 31 December 2016		
	Continuing operations €'000	Discontinued operation €'000	Total €'000	Continuing operations €'000	Discontinued operation €'000	Total €'000
(Loss)/profit attributable to owners of the Company	(39,297)	7,311	(31,986)	(203,363)	(40,399)	(243,762)
(Loss)/profit attributable to non-controlling interests	(245)	4,962	4,717	(359)	(16,869)	(17,228)
Total	**(39,542)**	**12,273**	**(27,269)**	**(203,722)**	**(57,268)**	**(260,990)**

Weighted average number of common shares outstanding

	From 1 January 2017 to 31 December 2017 '000	From 1 January 2016 to 31 December 2016 '000
Outstanding common shares at the beginning and end of the year	**904,627**	**904,627**

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the (loss)/profit attributable to owners and the number of common shares outstanding to assume conversion of all dilutive potential shares. As of 31 December 2017 and 31 December 2016, the diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share, due to the fact that no dilutive potential ordinary shares were outstanding during these years.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of warrants and Convertible Bonds was based on quoted market prices. The Convertible Bonds were repaid on the scheduled maturity date in March 2016 and all warrants expired on 3 January 2017.

Notes to the consolidated financial statements

16. PROPERTY, PLANT AND EQUIPMENT

	Under construction €'000	Land & buildings €'000	Machinery & equipment €'000	Other €'000	Total €'000
2017					
Cost or revalued amount					
At beginning of year	–	99,561	4,594	815	104,970
Direct acquisitions	–	60	55	69	184
Direct disposals	–	–	(41)	(9)	(50)
Revaluation adjustment	–	4,515	–	–	4,515
At end of year	–	104,136	4,608	875	109,619
Depreciation and impairment losses					
At beginning of year	–	14,381	2,456	486	17,323
Direct disposals	–	–	(14)	(5)	(19)
Depreciation charge for the year	–	1,771	405	132	2,308
Impairment loss	–	2,466	–	–	2,466
Reversal of impairment loss	–	(10)	–	–	(10)
At end of year	–	18,608	2,847	613	22,068
Carrying amounts	**–**	**85,528**	**1,761**	**262**	**87,551**
2016					
Cost or revalued amount					
At beginning of year	12,227	176,426	28,421	2,088	219,162
Direct acquisitions	1,041	153	1,794	81	3,069
Direct disposals	–	(576)	(146)	(780)	(1,502)
Disposals through disposal of subsidiary companies (see note 31)	–	(69,101)	(23,742)	(478)	(93,321)
Reclassification to assets held for sale	(2,294)	(20,291)	(5,076)	(103)	(27,764)
Transfers to trading property (see note 19)	–	(2,266)	(252)	–	(2,518)
Transfer (to)/from other assets	(11,311)	8,078	3,233	–	–
Revaluation adjustment	–	5,796	–	–	5,796
Exchange difference	337	1,342	362	7	2,048
At end of year	–	99,561	4,594	815	104,970
Depreciation and impairment losses					
At beginning of year	–	26,126	4,620	1,401	32,147
Direct disposals	–	–	(121)	(728)	(849)
Disposals through disposal of subsidiary companies (see note 31)	–	(12,363)	(2,377)	(281)	(15,021)
Reclassification to assets held for sale	–	(1,420)	(275)	(55)	(1,750)
Transfer to trading property (see note 19)	–	–	(103)	–	(103)
Depreciation charge for the year – continuing operations	–	1,614	532	138	2,284
Depreciation charge for the year – discontinued operation	–	358	132	6	496
Impairment loss	–	780	–	–	780
Reversal of impairment loss	–	(872)	–	–	(872)
Exchange difference	–	158	48	5	211
At end of year	–	14,381	2,456	486	17,323
Carrying amounts	**–**	**85,180**	**2,138**	**329**	**87,647**

The carrying amount at year end of land and buildings, if the cost model was used, would have been €75 million (2016: €79 million).

As at 31 December 2017 and 31 December 2016, part of the Group's immovable property is held as security for bank loans (see note 23).

Fair value hierarchy

The fair value of land and buildings, amounting to €85,528 thousand (2016: €85,180 thousand), has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

Notes to the consolidated financial statements

16. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The following table shows a reconciliation from opening to closing balances of Level 3 fair value.

	31 December 2017 €'000	31 December 2016 €'000
At beginning of year	85,180	150,300
Acquisitions	60	153
Disposals	–	(57,314)
Transfers from other assets	–	5,812
Reclassification to assets held for sale	–	(18,871)
Losses recognised in profit or loss		
(Impairment loss)/reversal of and write offs in 'Change in valuations'	(2,456)	92
Depreciation in 'Depreciation charge'	(1,771)	(1,614)
Depreciation in 'Loss from discontinued operation, net of tax'	–	(358)
Losses recognised in comprehensive income		
Revaluation adjustment in 'Revaluation on property, plant and equipment'	4,515	5,796
Unrealised exchange difference in 'Foreign currency translation differences'	–	1,184
At end of year	85,528	85,180

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring land and buildings, as well as the significant unobservable inputs used.

Property location	Valuation technique (see note 3)	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
Property in Greece – Resorts	Income approach	Room occupancy rate (annual):	2017: 36% to 62% (weighted average: 45%-59%) (2016: 21% to 62%) (weighted average: 26%-60%)	The estimated fair value would increase/(decrease) if: Room occupancy rate was higher/(lower); Average daily rate per occupied room was higher/(lower); Gross operating margin was higher/(lower); Terminal capitalisation rate was lower/(higher); Risk-adjusted discount rate was lower/(higher).
		Average daily rate per occupied room:	2017: €399 to €1,611 (weighted average: €593-€1,506) (2016: €399 to €1,742) (weighted average: €593-€1,471)	
		Gross operating margin rate:	2017: 9% to 52% (weighted average: 38%-51%) (2016: 9% to 45%) (weighted average: 36%-38%)	
		Terminal capitalisation rate:	2017: 8% (2016: 8%)	
		Risk-adjusted discount rate:	2017: 11% to 13% (2016: 11% to 12%)	

Notes to the consolidated financial statements

16. PROPERTY, PLANT AND EQUIPMENT CONTINUED

<table>
<tr><td rowspan="13">Property in Greece – Hotel complexes</td><td rowspan="13">Combined approach (Market and Cost)</td><td colspan="2">Market approach (for land components)
Premiums/(discounts) on the following:</td><td rowspan="13">The estimated fair value would increase/(decrease) if:
Premiums were higher/(lower);
Discounts were lower/(higher);
Weights on comparables with premiums were higher/(lower);
Weights on comparables with discounts were lower/(higher);
Replacement cost (new) per m² was higher/(lower);
Entrepreneurial profit rate was higher/(lower);
Depreciation rate was lower/(higher).</td></tr>
<tr><td>Location:</td><td>2017: -10% to 0% (2016: -10% to 0%)</td></tr>
<tr><td>Asking vs transaction:</td><td>2017: -30% to -20% (2016: -30% to -10%)</td></tr>
<tr><td>Frontage sea view:</td><td>2017: 0% to +20% (2016: 0% to +20%)</td></tr>
<tr><td>Maturity/development potential:</td><td>2017: 0% to +10% (2016: 0% to +10%)</td></tr>
<tr><td>Weight allocation:</td><td>2017: +5% to +20% (2016: +10% to +15%)</td></tr>
<tr><td colspan="2">Cost approach (for building components)</td></tr>
<tr><td>Replacement cost (new) per m²:</td><td>2017: €500 – €1,100 (2016: €500 – €1,100)</td></tr>
<tr><td>Entepreneurial profit rate:</td><td>2017: 20% (2016: 20%)</td></tr>
<tr><td>Depreciation rate:</td><td>2017: 33% (2016: 32%)</td></tr>
<tr><td>Useful life (years):</td><td>2017: 60 (2016: 60)</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td></td><td rowspan="15">Combined approach (Market and Income)</td><td colspan="2">Market approach
Premiums/(discounts) on the following:</td><td rowspan="15">The estimated fair value would increase/(decrease) if:
Premiums were higher/(lower);
Discounts were lower/(higher);
Weights on comparables with premiums were higher/(lower);
Weights on comparables with discounts were lower/(higher);
Room occupancy rate was higher/(lower);
Average daily rate per occupied room was higher/(lower);
Gross operating margin was higher/(lower);
Terminal capitalisation rate was lower/(higher);
Risk-adjusted discount rate was lower/(higher).</td></tr>
<tr><td></td><td>Location:</td><td>2017: 20% to 0% (2016: 0%)</td></tr>
<tr><td></td><td>Site size:</td><td>2017: -20% to -10% (2016: -20% to +10%)</td></tr>
<tr><td></td><td>Asking vs transaction:</td><td>2017: -30% to -20% (2016: -20% to 0%)</td></tr>
<tr><td></td><td>Frontage sea view:</td><td>2017: 0% to +30% (2016: 0% to +10%)</td></tr>
<tr><td></td><td>Maturity/development potential:</td><td>2017: -50% to -20% (2016: -50% to 0%)</td></tr>
<tr><td></td><td>Premium due to being part of strategic investment:</td><td>2017: 15% (2016: 15%)</td></tr>
<tr><td></td><td>Weight allocation:</td><td>2017: +10% to +30% (2016: +10% to +40%)</td></tr>
<tr><td></td><td colspan="2">Cost approach</td></tr>
<tr><td></td><td>Room occupancy rate (annual):</td><td>2017: 33% to 37% (weighted average: 36%)
(2016: 18% to 33%) (weighted average: 30%)</td></tr>
<tr><td></td><td>Average daily rate per occupied room:</td><td>2017: €1,517 to €1,839 (weighted average: €1,707)
(2016: €1,305 to €1,700) (weighted average: €1,538)</td></tr>
<tr><td></td><td>Gross operating margin rate:</td><td>2017: 32% to 42% (weighted average: 41%)
(2016: 9% to 37%) (weighted average: 33%)</td></tr>
<tr><td></td><td>Terminal capitalisation rate:</td><td>2017: 8% (2016: 8%)</td></tr>
<tr><td></td><td>Risk-adjusted discount rate:</td><td>2017: 11% (2016: 11%)</td></tr>
<tr><td></td><td colspan="2"></td></tr>
</table>

Notes to the consolidated financial statements

17. INVESTMENT PROPERTY

	Note	31 December 2017 €'000	31 December 2016 €'000
At beginning of year		176,548	340,853
Direct acquisitions		203	11
Disposals through disposal of subsidiary companies	31	–	(74,644)
Transfers to trading properties	19	(217)	(273)
Reclassification to assets held for sale		(25,376)	(28,135)
Exchange difference		–	3,320
Fair value adjustment – continuing operations	8B	(12,486)	(22,126)
Fair value adjustment – discontinued operation	8B	–	(42,458)
At end of year		**138,672**	**176,548**

As at 31 December 2017 and 31 December 2016, part of the Group's immovable property is held as security for bank loans (see note 23).

Changes in fair values are recognised as gains/(losses) in profit or loss and included in 'Change in valuations' or 'Loss from discontinued operation, net of tax' if they relate to the discontinued operation. All such gains/(losses) are unrealised. Concession/write off of land is included in 'Changes in valuations'. Exchange differences are unrealised, recognised in comprehensive income and included in 'Foreign currency translation differences'.

Fair value hierarchy

The fair value of investment property, amounting to €138,672 thousand (2016: €176,548 thousand), has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Property location	Valuation technique (see note 3)	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
Property in Greece	Combined approach (Market and Income)	*Market approach – 60% weight*		The estimated fair value would increase/(decrease) if:
		Premiums/(discounts) on the following:		Premiums were higher/(lower);
		Location:	2017: -10% to +10% (2016: -10% to +10%)	Discounts were lower/(higher);
		Site size:	2017: -20% to 0% (2016: -20% to 0%)	Weights on comparables with premiums were higher/(lower);
		Asking vs transaction:	2017: -30% to -10% (2016: -30% to -10%)	Weights on comparables with discounts were lower/(higher);
		Frontage sea view:	2017: 0% to +20% (2016: 0% to +30%)	Quantity of villas was higher/(lower);
		Maturity/development potential:	2017: -20% to +40% (2016: -20% to +30%)	Selling price per m² was higher/(lower);
		Weight allocation:	2017: +10% to +20% (2016: +10% to +20%)	Expected annual growth in selling price was higher/(lower);
		Income approach – 40% weight		Cash flow velocity was shorter/(longer);
		Quantity of villas:	2017: 447 (2016: 447)	Risk-adjusted discount rate was lower/(higher).
		Selling price per m²:	2017: €2,900 (2016: €2,900)	
		Expected annual growth in selling price:	2017: 0% to 3% (2016: 0% to 3%)	
		Cash flow velocity (years):	2017: 13 (2016: 13)	
		Risk-adjusted discount rate:	2017: 16% (2016:15%)	
		Discount on combined approach value:		
		Legal status:	2017: -10% (2016: -10%)	

Notes to the consolidated financial statements

17. INVESTMENT PROPERTY CONTINUED

Property location	Valuation technique (see note 3)	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
	Market approach	Premiums/(discounts) on the following:		The estimated fair value would increase/(decrease) if:
		Location:	2017: –40% to +30% (2016: –40% to +40%)	Premiums were higher/(lower);
		Site size:	2017: –50% to +10% (2016: –50% to +10%)	Discounts were lower/(higher);
		Asking vs transaction:	2017: –30% to –0% (2016: –30% to –5%)	Weights on comparables with premiums were higher/(lower);
		Frontage sea view:	2017: –10% to +30% (2016: –10% to +30%)	Weights on comparables with discounts were lower/(higher).
		Maturity/development potential:	2017: –45% to +50% (2016: –45% to +40%)	
		Zoning uniqueness:	2017: –30% to 0% (2016: –30% to 0%)	
		Other:	2017: –10% to 0% (2016: –10% to 0%)	
		Strategic investment approval:	2017: 0% to +25% (2016: 0% to +25%)	
		Weight allocation:	2017: +5% to +40% (2016: +5% to +40%)	
Property in Cyprus	Market approach	Premiums/(discounts) on the following:		The estimated fair value would increase/(decrease) if:
		Location:	2017: –0% to +20% (2016: –10% to +20%)	Premiums were higher/(lower);
		Site size:	2017: –30% to –10% (2016: –30% to –10%)	Discounts were lower/(higher);
		Asking vs transaction:	2017: –35% to 0% (2016: –30% to 0%)	Weights on comparables with premiums were higher/(lower);
		Frontage sea view:	2017: 0% to +30% (2016: 0% to +30%)	Weights on comparables with discounts were lower/(higher).
		Maturity/development potential:	2017: –30% (2016: –30%)	
		Weight allocation:	2017: +5% to +25% (2016: +10% to +20%)	

Property location	Valuation technique (see note 3)	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
Property in Greece – Resorts	Income approach	Room occupancy rate (annual):	2016: 29% to 42% (weighted average: 38%)	The estimated fair value would increase/(decrease) if: Occupancy rate was higher/(lower);
		Average daily rate per occupied room:	2016: €823 to €1,708 (weighted average: €1,455)	Average daily rate per occupied room was higher/(lower);
		Gross operating margin rate:	2016: 12% to 35% (weighted average: 28%)	Gross operating margin was higher/(lower);
		Terminal capitalisation rate:	2016: 10%	Terminal capitalisation rate was (lower)/higher;
		Quantity of villas:	2016: 35	Quantity of villas was higher/(lower);
		Selling price per m^2:	2016: €5,500 to €6,000	Selling price per m^2 was higher/(lower);
		Expected annual growth in selling price:	2016: 0% to 5%	Expected annual growth in selling price was higher/(lower);
		Cash flow velocity (years):	2016: 8	Cash flow velocity was shorter/(longer);
		Risk-adjusted discount rate:	2016: 12%	Risk-adjusted discount rate was lower/(higher).

Notes to the consolidated financial statements

18. DISPOSAL GROUPS HELD FOR SALE

In 2017, the Company committed to the sale of two additional properties and their associated liabilities, through the sale of their holding companies. Accordingly, the assets and liabilities of each of these holding companies are presented as separate disposal groups held for sale. The disposal groups are: Kéa (owner of 'Kéa Resort') and Triopetra (owner of 'Triopetra Bay') in Greece. Efforts to sell the disposal groups have commenced and their sale has either been completed or is expected to be completed within 2018.

The Company also remains committed to its plan to sell five disposal groups which are presented as held for sale in 2016. These disposal groups are: Iktinos (owner of 'Sitia Bay Golf Resort', sold in April 2018) and Porto Heli (owner of 'Nikki Beach') in Greece, Azurna (owner of 'Livka Bay') in Croatia, Kalkan (owner of 'La Vanta') in Turkey and DCI Holdings Two Limited ('DCI H2') (owner of Aristo Developers Limited ('Aristo')) in Cyprus.

All of the above disposal groups are included in the geographical segment of 'South-East Europe' and in the operating segments of 'Hotel & Leisure operations' (Porto Heli), 'Construction & Development' (Kalkan and DCI H2) and 'Other' (Kéa, Triopetra, Iktinos and Azurna).

As at 31 December 2016, Pearl was also presented as held for sale with its disposal being completed during the year ended 31 December 2017. Pearl was part of the discontinued geographical operation of Americas and was also included in the operating segments of 'Construction & Development' and 'Other'.

Impairment losses relating to the disposal group

Impairment losses of €3,409 thousand (2016: €4,197 thousand) for write-downs of the disposal groups to the lower of their carrying amount and their fair value less costs to sell have been recognised and included in other expenses (see note 8B).

Assets and liabilities of disposal groups held for sale

As at 31 December 2017, the disposal groups comprised the following assets and liabilities:

	Iktinos disposal group €'000	Azurna disposal group €'000	Kalkan disposal group €'000	Kéa disposal group €'000	Triopetra disposal group €'000	Porto Heli disposal group €'000	DCI H2 disposal group €'000	Total €'000
Property, plant and equipment	6,699	–	9	–	–	–	–	6,708
Investment property	14,544	30,960	–	20,940	4,436	–	–	70,880
Equity-accounted investees	–	–	–	–	–	926	42,694	43,620
Trading properties	–	–	5,615	–	–	–	–	5,615
Trade and other receivables	139	6	980	62	36	–	–	1,223
Cash and cash equivalents	4	181	29	36	1	–	–	251
	21,386	**31,147**	**6,633**	**21,038**	**4,473**	**926**	**42,694**	**128,297**
Available-for-sale financial assets	–	–	–	–	–	–	–	834
Assets held for sale								**129,131**
Loans and borrowings	–	8,165	–	–	–	–	–	8,165
Deferred tax liabilities	3,062	3,240	–	2,796	360	–	–	9,458
Trade and other payables	311	965	79	6,775	13	–	–	8,143
Liabilities held for sale	**3,373**	**12,370**	**79**	**9,571**	**373**	**–**	**–**	**25,766**

Available-for-sale financial assets

On 15 July 2013, the Company acquired 9.6 million shares, equivalent to 10% of Itacare's share capital, for the amount of €1.9 million. Itacare is a real estate investment company that was listed on AIM until 16 May 2014, when the admission of its ordinary shares to trading on AIM was cancelled following a decision of its shareholders at the Extraordinary General Meeting that took place on 6 May 2014. Itacare's shareholders have decided to dispose of all assets and after a series of asset sales/swaps Itacare now owns two development sites with the Company's shareholding being 13%. The Company is currently in advanced discussions for the sale of its shareholding in Itacare, for a US$1 million payment in cash, with the transaction expected to close by the end of 2018.

DCI H2 disposal group

During 2016, the Company's investment in DCI H2, owner of Aristo, decreased significantly, as a result of a share of loss and an impairment loss amounting to €34,389 thousand and €109,265 thousand, respectively. The share of losses comprised the result of the loan restructuring arrangement between Aristo and Bank of Cyprus, whereby a loss from the redemption of such bank loans emerged through their settlement with property swapped. The impairment loss has been recognised to bring the DCI H2 investment to its recoverable amount of €45 million, which represented the originally agreed proceeds to the Company from the disposal of its investment, as further described below.

Notes to the consolidated financial statements

18. DISPOSAL GROUPS HELD FOR SALE CONTINUED

On 29 September 2016, the Company reached an agreement to dispose of its 49.75% shareholding in DCI H2 to an entity controlled by Theodoros Aristodemou ('TA'), DCI H2' s current controlling shareholder. The disposal would have been effected by way of a sale to TA of 49.75% of the shares in DCI H2 held by DCI Holdings One Ltd, a wholly-owned subsidiary of the Company, for a total cash consideration of €45 million, payable in quarterly instalments over three years and bearing annual interest of 4% in the first year, increasing to 5% and 6%, respectively, for each of the subsequent years. On 6 September 2016, the Company received €1.1 million in exchange for 105 DCI H2 shares, resulting in a gain on disposal of €151 thousand and to a reduction in the Company's holding in DCI H2 to 48.7%.

On 13 February 2017, the Company signed a supplementary agreement amending the date of execution of the agreement to the earlier of a) 30 April 2017 and b) the 'Stay Period', the date falling five business days after the issuance of the Court verdict for the current trial between the Attorney General and the Bank of Cyprus Public Company Ltd (in which TA was a defendant). Completion was to take place upon the expiration of the Stay Period, subject to the full receipt by the Company of any outstanding amount from the consideration. Upon execution of this agreement an amount of €700 thousand was paid to the Company (received on 14 February 2017) in exchange for 77 shares in DCI H2, resulting in a gain on disposal of €4 thousand and to a reduction in the Company's holding in DCI H2 to 47.9%. In the event that by 30 April 2017 a court verdict had not been issued, then the Stay Period would have been extended until 30 June 2017, provided that TA made by 30 April 2017 a payment of €300 thousand in exchange for 33 DCI H2 shares.

On 3 May 2017, the Company decided to terminate the agreement with TA to dispose its Aristo shares, as a result of TA's failure to settle deferred payments by 30 April 2017. The Company will retain the remaining holding of its Aristo shares, which corresponds to 47.9%. The Board remains committed to dispose of its holding in Aristo and realise value.

As at 31 December 2017 and as at 31 December 2016, the Company's holding of 47.9% and 48.7%, respectively has been classified as an asset held for sale.

As at 31 December 2016, the disposal groups comprised the following assets and liabilities:

	Iktinos disposal group €'000	Azurna disposal group €'000	Kalkan disposal group €'000	Porto Heli disposal group €'000	DCI H2 disposal group €'000	Pearl disposal group €'000	Total €'000
Property, plant and equipment	6,699	–	23	–	–	26,014	32,736
Investment property	14,541	32,937	–	–	–	28,135	75,613
Equity-accounted investees	–	–	–	1,086	43,391	–	44,477
Trading properties	–	–	6,850	–	–	–	6,850
Trade and other receivables	–	7	1,269	–	–	627	1,903
Cash and cash equivalents	11	8	7	–	–	183	209
	21,251	**32,952**	**8,149**	**1,086**	**43,391**	**54,959**	**161,788**
Available-for-sale financial assets	–	–	–	–	–	–	950
Assets held for sale							**162,738**
Loans and borrowings	–	8,165	94	–	–	–	8,259
Deferred tax liabilities	3,062	3,633	–	–	–	1,239	7,934
Trade and other payables	274	959	210	–	–	9,561	11,004
Liabilities held for sale	**3,336**	**12,757**	**304**	**–**	**–**	**10,800**	**27,197**

Notes to the consolidated financial statements

18. DISPOSAL GROUPS HELD FOR SALE CONTINUED

Cumulative income or expenses included in other comprehensive income

An amount of €10,977 thousand (2016: €5,720 thousand) relating to the disposal groups is included in other comprehensive income.

Measurement of fair values

i. Fair value hierarchy

The fair value measurement for the disposal groups before costs to sell has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

ii. Valuation techniques and significant unobservable inputs

The fair value of each disposal group is significantly based on the valuation of the immovable property in each group. The following table shows the valuation techniques and significant unobservable inputs used in measuring the fair values of Azurna, Kalkan, Porto Heli and Kéa properties. The fair values of Iktinos, Triopetra and DCI H2 properties, as at 31 December 2017, are based on selling agreements signed for their disposal.

Property	Valuation technique (see note 3)	Significant unobservable inputs	
Iktinos, Greece	Combined approach (Market and Income)	*Market approach (50% weight)*	
		Premiums/(discounts) on the following:	
		Location:	2016: –30% to +30%
		Site size:	2016: –20% to 0%
		Asking vs transaction:	2016: –30% to –20%
		Frontage sea view:	2016: –20% to +15%
		Maturity/development potential:	2016: +20% to +90%
		Weight allocation:	2016: +15% to +30%
		Income approach (50% weight)	
		Quantity of villas:	2016:102
		Selling price per m²:	2016: €2,400
		Expected annual growth in selling price:	2016: 0% to 3%
		Cash flow velocity (years):	2016: 7
		Risk-adjusted discount rate:	2016: 13%
	Income approach	Room occupancy rate (annual):	2016: 32% to 46% (weighted average: 43%)
		Average daily rate per occupied room:	2016: €372 to €496 (weighted average: €452)
		Gross operating margin rate:	2016: 5% to 40% (weighted average: 34%)
		Terminal capitalisation rate:	2016: 9%
		Risk-adjusted discount rate:	2016: 13%
	Market approach	Premiums/(discounts) on the following:	
		Location:	2016: –30% to +30%
		Site size:	2016: –20% to 0%
		Asking vs transaction:	2016: –30% to –10%
		Frontage sea view:	2016: –20% to +20%
		Maturity/development potential:	2016: –20% to +50%
		Weight allocation:	2016: +5% to +30%

Notes to the consolidated financial statements

18. DISPOSAL GROUPS HELD FOR SALE CONTINUED

ii. Valuation techniques and significant unobservable inputs continued

Property	Valuation technique (see note 3)	Significant unobservable inputs	
Azurna, Croatia	Market approach	Premiums/(discounts) on the following:	
		Location:	2017: -5% to +5% (2016: 0% to +5%)
		Site size:	2017: -20% to -10% (2016: -20% to -3%)
		Asking vs transaction:	2017: -10% to 0% (2016: -10% to 0%)
		Weight allocation:	2017: +20% (2016: +17% to +28%)
Kalkan, Turkey	Income approach	Quantity of residential units:	2017: 1 to 54 (2016: 1 to 54)
		Selling price per m^2:	2017: €1,100 to €1,850 (2016: €1,100 to €1,850)
		Expected annual growth in selling price:	2017: 0% to 5% (2016: 0% to 5%)
		Cash flow velocity (years):	2017: 1 to 3 (2016: 1 to 3)
		Risk-adjusted discount rate:	2017: 5% to 38% (2016: 5% to 38%)
Porto Heli, Greece	Income approach	Room occupancy rate (annual):	2016: 25% to 35% (weighted average: 33%)
		Average daily rate per occupied room:	2016: €265 to €369 (weighted average: €330)
		Gross operating margin rate:	2016: 17% to 36% (weighted average: 32%)
		Terminal capitalisation rate:	2016: 10%
		Risk-adjusted discount rate:	2016: 11%
Kéa, Greece	Income approach	Room occupancy rate (annual):	2017: 22% to 31% (weighted average: 30%)
		Average daily rate per occupied room:	2017: €823 to €1,203 (weighted average €1,089)
		Gross operating margin rate:	2017: 10% to 35% (weighted average 30%)
		Terminal capitalisation rate:	2017: 10%
		Quantity of villas:	2017: 40
		Selling price per m^2:	2017: €6,000
		Expected annual growth in selling price:	2017: 0% to 4%
		Cash flow velocity (years):	2017: 10
		Risk-adjusted discount rate:	2017: 13%

19. TRADING PROPERTIES

	Note	31 December 2017 €'000	31 December 2016 €'000
At beginning of year		29,763	37,387
Net direct acquisitions/(disposals)		1,079	(3,200)
Reversal of/(concession/write off) of land		193	(193)
Net transfers from investment property	17	217	273
Net transfers from property, plant and equipment	16	–	2,415
Disposals through disposal of subsidiary companies	31	–	(6,205)
Impairment loss	8B	(680)	(724)
Exchange difference		–	10
At end of year		**30,572**	**29,763**

As at 31 December 2017 and 31 December 2016, part of the Group's immovable property is held as security for bank loans (see note 23).

Notes to the consolidated financial statements

20. TRADE AND OTHER RECEIVABLES

	31 December 2017 €'000	31 December 2016 €'000
Trade receivables	1,082	863
VAT receivables	561	370
Other receivables	2,538	1,695
Total trade and other receivables (see note 33)	4,181	2,928
Prepayments and other assets	1,193	770
Total	**5,374**	**3,698**

21. CASH AND CASH EQUIVALENTS

	31 December 2017 €'000	31 December 2016 €'000
Bank balances (see note 33)	2,421	4,669
Cash in hand	23	29
Total	**2,444**	**4,698**

During the year, the Group had no fixed deposits.

Funds in bank accounts of certain Group companies are pledged as security for loans (see note 23), as well restricted for land purchases at Amanzoe.

22. CAPITAL AND RESERVES

Capital

Authorised share capital

	31 December 2017		31 December 2016	
	'000 of shares	€'000	'000 of shares	€'000
Common shares of €0.01 each	2,000,000	20,000	2,000,000	20,000

Movement in share capital and premium

	Shares in '000	Share capital €'000	Share premium €'000
Capital at 1 January 2016 and up to 31 December 2017	**904,627**	**9,046**	**569,847**

Warrants

In December 2011, the Company raised €8.5 million through the issue of new shares at GBP 0.27 per share (with warrants attached to subscribe for additional Company shares equal to 25% of the aggregate value of the new shares at the price of GBP 0.3105 per share, subject to anti-dilution adjustments pursuant to the warrant's terms and conditions – initial price of GBP 0.35 per share). The warrants were exercisable within five years from the admission date. The number of shares to be issued on exercise of their rights would have been determined based on the subscription price on the exercise date. All warrants expired on 3 January 2017.

Reserves

Translation reserve

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

Revaluation reserve

Revaluation reserve relates to the revaluation of property, plant and equipment from both subsidiaries and equity-accounted investees, net of any deferred tax.

Notes to the consolidated financial statements

23. LOANS AND BORROWINGS

	Total		Within one year		Within two to five years		More than five years	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Loans in Euro	89,715	92,270	21,171	12,749	55,474	67,146	13,070	12,375
Loans in Euro within disposal groups held for sale	8,165	8,259	8,165	765	–	7,494	–	–
Total	**97,880**	**100,529**	**29,336**	**13,514**	**55,474**	**74,640**	**13,070**	**12,375**

Terms and conditions

The terms and conditions of outstanding loans were as follows:

Description	Currency	Interest rate	Maturity dates	31 December 2017 €'000	31 December 2016 €'000
Secured loans	Euro	Euribor plus margins ranging from 4.25% to 6.5%	From 2018 to 2026	53,934	58,065
Secured loans	Euro	Fixed rate 11% (2016: fixed rates ranging from 4.75% to 11%)	2020 (2016: from 2017 to 2020)	43,946	42,464
Total interest-bearing liabilities				**97,880**	**100,529**

Securities

As at 31 December 2017 and 31 December 2016, the Group's loans and borrowings were secured as follows:

- Mortgage against the immovable property of the Croatian subsidiary, Azurna, with a carrying amount of €29.6 million (2016: €31.6 million), two promissory notes, a debenture note and a letter of support from its parent company Single Purpose Vehicle Four Limited.
- Mortgage against the immovable property of the Cypriot subsidiary, Symboula Estates Limited, with a carrying amount of €27.1 million (2016: €30.1 million).
- Lien up to €59 million on immovable properties of the Greek subsidiaries of the Porto Heli project, with a carrying amount of €151.6 million (2016: €155.9 million).
- Pledge of 1,000 shares of DCI H2 for Symboula Estates Limited bank loan.
- Pledge of all shares of the Cypriot subsidiary Symboula Estates Limited, and all shares of two other Apollo group entities for Symboula Estates Limited bank loan.
- Pledge of 4,495 shares of the Cypriot subsidiary, DCI 14, and all shares of six Cypriot and Greek subsidiaries of Amanzoe project for DCI 14 loan received from Colony Luxembourg S.a.r.l. acting on behalf of managed funds.
- Fixed and floating charges over the rights, titles and interests of DCI 14 and three Cypriot subsidiaries of Amanzoe project, charge over their bank accounts and assignment of their intra-group receivables for the loan from Colony Luxembourg S.a.r.l.
- Fixed and floating charges over assets and undertakings of Symboula Estates Limited, subordination and assignment of intercompany loans between all companies of Apollo Group and Dolphin Capital Investors Limited.
- Corporate guarantees by DCI Holdings One Limited for the serving of the bank loan of Cypriot subsidiary, Symboula Estates Limited, amounting to €16 million.

As at 31 December 2016, in addition to the above, the Group's loans and borrowings were secured as follows:

- Mortgage against immovable property of the Turkish subsidiary, Kalkan Yapi ve Turizm A.S., with a carrying amount of €5.8 million.

Notes to the consolidated financial statements

24. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2017		31 December 2016	
	Deferred tax assets €'000	Deferred tax liabilities €'000	Deferred tax assets €'000	Deferred tax liabilities €'000
Balance at the beginning of the year	996	(24,255)	997	(30,129)
Recognised in profit or loss – continuing operations	(2)	2,847	(1,549)	5,107
Recognised in profit or loss – discontinued operation	–	–	–	1,273
Recognised in other comprehensive income (see note 14)	–	(1,309)	–	(1,682)
Reclassification to liabilities held for sale	–	3,156	1,548	1,239
Exchange difference and other	–	–	–	(63)
Balance at the end of the year	**994**	**(19,561)**	**996**	**(24,255)**

Deferred tax assets and liabilities are attributable to the following:

	31 December 2017		31 December 2016	
	Deferred tax assets €'000	Deferred tax liabilities €'000	Deferred tax assets €'000	Deferred tax liabilities €'000
Revaluation of investment property	–	(9,550)	–	(15,268)
Revaluation of trading properties	–	(2,163)	–	(1,905)
Revaluation of property, plant and equipment	–	(7,143)	–	(6,449)
Other temporary differences	–	(705)	–	(633)
Tax losses	994	–	996	–
Total	**994**	**(19,561)**	**996**	**(24,255)**

25. FINANCE LEASE LIABILITIES

	31 December 2017			31 December 2016		
	Future minimum lease payments €'000	Interest €'000	Present value of minimum lease payments €'000	Future minimum lease payments €'000	Interest €'000	Present value of minimum lease payments €'000
Less than one year	8	–	8	49	1	48
Between two and five years	154	6	148	195	8	187
More than five years	4,133	1,291	2,842	4,162	1,415	2,747
Total	**4,295**	**1,297**	**2,998**	**4,406**	**1,424**	**2,982**

The major finance lease obligations comprise leases in Greece with 99-year lease terms.

26. DEFERRED REVENUE

	31 December 2017 €'000	31 December 2016 €'000
Prepayment from clients	13,834	10,683
Government grant	6,985	7,230
Total	**20,819**	**17,913**

	31 December 2017 €'000	31 December 2016 €'000
Non-current	6,985	7,230
Current	13,834	10,683
Total	**20,819**	**17,913**

Notes to the consolidated financial statements

27. TRADE AND OTHER PAYABLES

	31 December 2017 €'000	31 December 2016 €'000
Trade payables	814	660
Land creditors	21,048	25,354
Investment Manager fees	1,188	4,221
Professional fees accrual	–	1,952
Deposit relating to Pearl disposal	–	1,000
Branding fees accrual	2,684	2,444
Litigation liability provision	4,000	–
Other payables and accrued expenses	7,317	13,960
Total	**37,051**	**49,591**

	31 December 2017 €'000	31 December 2016 €'000
Non-current	20,858	6,479
Current	16,193	43,112
Total	**37,051**	**49,591**

During 2017, the Company entered into new contracts in connection with the deferred purchase of land at Lavender Bay. The amount outstanding as at 31 December 2017 was €21,048 thousand and payment will be made on 31 December 2025. As a result of a retroactive change in the interest rate charged on the outstanding consideration, an accrued interest payable amount of approximately €4 million has been reversed during the year ended 31 December 2017 and included in finance income in profit or loss.

A subsidiary of the Group is in dispute with a third party concerning a c. €4 million assignment of claims to this party by one of the subsidiary's contractors. Although the Group has recognised a €4 million provision regarding this claim, the Group's intention is to defend its position vigorously and its lawyers are handling the ongoing litigation.

28. NAV PER SHARE

	31 December 2017 '000	31 December 2016 '000
Total equity attributable to owners of the Company (€)	194,059	233,887
Number of common shares outstanding at end of year	904,627	904,627
NAV per share (€)	**0.21**	**0.26**

29. RELATED PARTY TRANSACTIONS

29.1 Directors' interest and remuneration

Directors' interest

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

The interests of the Directors as at 31 December 2017, all of which are beneficial, in the issued share capital of the Company as at this date were as follows:

	Shares '000
Miltos Kambourides (indirect holding)	66,019
Mark Townsend	282
Andrew Coppel	150

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

	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
Remuneration	772	1,415
Equity-settled share-based payment arrangements – Director Awards (see note 30)	(71)	94
Total remuneration	**701**	**1,509**

Notes to the consolidated financial statements

29. RELATED PARTY TRANSACTIONS CONTINUED

29.1 Directors' interest and remuneration continued

The Directors' remuneration details for the years ended 31 December 2017 and 31 December 2016 were as follows:

	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
Andrew Coppel	229	232
Graham Warner	171	180
Robert Heller	200	205
Sue Farr	115	53
Mark Townsend	57	61
Laurence Geller	–	678*
Justin Rimel	–	3
David B. Heller	–	3
Total	**772**	**1,415**

*Comprises €636 thousand compensation for loss of office and €42 thousand compensation for expenses.

Miltos Kambourides has waived his fees.

On 1 March 2016, Laurence Geller, David B. Heller and Justin Rimel resigned from the Company's Board with Andrew Coppel being appointed as the Independent Chairman. Andrew Coppel does not participate in the Stock Option Programme.

On 19 July 2016, Sue Farr joined the Board as a non-executive director.

On 25 January 2018, Robert Heller and Sue Farr resigned from the Company's Board. Robert Heller no longer retains an interest in the stock options issued pursuant to the Company's Stock Option Programme.

29.2 Investment Manager remuneration

	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
Fixed management fee	6,000	7,500
Variable management fees	1,606	4,221
Equity-settled share-based payment arrangements – Investment Management Awards (see note 30)	–	(315)
Total remuneration	**7,606**	**11,406**

In 2016, the Investment Manager fully waived any rights under the Investment Manager Awards it was entitled to under the terms of the previous Investment Management Agreement ('IMA') and the Company's share incentive plan (see note 30).

In line with the Amended and Restated IMA, signed in December 2016, with retroactive effect from 1 July 2016, the following arrangements came into effect:

i. Fixed management fee

The annual management fees for the second half of 2016 were retrospectively reduced from €8.5 million to €6.5 million per annum and have been set to a fixed declining annual amount equal to €6 million for 2017, €5 million for 2018 and €4 million for 2019.

Additionally, the term of the IMA has been reduced and will expire at the earlier of the end of the Divestment Period or 31 December 2019 rather than August 2020 as under the terms of the previous IMA. There will be no fixed management fee due for 2020.

ii. Variable management fee

A variable management fee has been introduced which will become payable solely upon the execution of each asset divestment by the Company. The variable management fee will be equal to a percentage of the enterprise value (i.e. the equity value of the asset plus any loans or other liabilities assumed by its purchaser) of any asset disposed by the Company during the Divestment Period at a valuation at or in excess of 50% of its latest reported NAV.

The variable management fee percentage will be equal to 3% for divestments executed within the second half 2016 and will be reduced to 2.5%, 2.0% and 1.3% for those concluded in 2017, 2018 and 2019 respectively, to the extent these are completed at 50% of relevant latest reported NAV. The variable management fee will increase in respect of transactions executed at sales prices exceeding 50% of their NAV.

Notes to the consolidated financial statements

29. RELATED PARTY TRANSACTIONS CONTINUED

29.2 Investment Manager remuneration continued

The variable management fee will become payable to the Investment Manager three months from the completion of the respective disposal. Specifically in relation to the Playa Grande disposal, €1 million of the variable management fee had been paid upon the completion of the disposal and the balance is payable at the earlier of the date when the Company makes a distribution of proceeds from asset sales to Shareholders or nine months from the completion of the Playa Grande disposal.

With regard to the disposal of Aristo and Pearl Island, the Manager will be entitled to a variable annual management fee equal to 3%, 2.5%, 2% and 1.3% on the portion of their corresponding Total Disposal Prices received by the Company within 2016, 2017, 2018 and 2019, respectively.

The Investment Manager was entitled to a performance fee payable under the terms of the previous IMA. There is no change to this entitlement. However, any performance fees earned under this arrangement will be fully deducted from any future annual management fees and variable management fees payable over the term of the IMA.

Previous arrangements, in force until 30 June 2016

Annual fee

The Investment Manager is entitled to an annual management fee defined as follows:

- for the period from 1 July 2015 to and including 31 December 2016, the annual management fee shall be €1 million per calendar month payable quarterly in advance;
- with effect from and including 1 January 2016, the annual management fee shall be €8.5 million payable quarterly in advance; and
- commencing on and with effect from 1 January 2017, the annual management fee payable for the following annual periods will be permanently reduced on 1 January in each year to an amount equal to the lower of:

(i) 1.25% of the gross asset value of the Company calculated as at the last preceding 31 December calculation date; and

(ii) €8.5 million.

In addition, the Company shall reimburse the Investment Manager for any professional fees or other costs incurred on behalf of the Company for the provision of services or advice.

Performance fee

i. Core asset incentive fee

The Investment Manager will be entitled to the core asset incentive fee based on the net profits received by the Company from the core assets or the disposal thereof.

Core assets comprise the following projects: Amanzoe, Kilada Hills, Kéa, Pearl Island and Playa Grande. All other assets of the company are characterised as non-core for the purpose of incentive fee calculations.

The net proceeds will be divided between the Investment Manager and the Company on the following basis:

- first, 100% to the Company until the Company has received an amount equal to €169.6 million (the 'Aggregate Core Asset Base Value');
- second, 100% to the Company until the Company has received an amount equal to the core asset capital and costs;
- third, 100% to the Company until the Company has received an amount equal to the base cost compounded quarterly at the average one-month Euribor rate plus 500 basis points (but capped at a maximum interest rate of 6% per annum);
- fourth, 60% to the Investment Manager and 40% to the Company until the Investment Manager has received an amount equal to 20% of the net profits then distributed; and
- thereafter, 20% to the Investment Manager and 80% to the Company such that the Investment Manager shall receive a total core asset incentive fee equivalent to 20% of the net profits.

On the disposal of a core asset, the Investment Manager shall be entitled to receive an advance of the core asset incentive fee on the following basis:

- where the disposal takes place prior to the date on which the Company shall have first received an amount of net profits from the disposal of core assets equal to, or in excess of, €113,055,360 (the 'Trigger Date'), an amount equal to 6.666% of the net profits received by the Company on the disposal of such core asset; or
- where the disposal takes place after the Trigger Date, an amount equal to 10% of the net profits received by the Company on the disposal of such core asset, (in each case a 'Core Asset Incentive Fee Advance Payment').

The aggregate value of any Core Asset Incentive Fee Advance Payments will at any time be set off against, and thereby reduce to not less than zero, any liability of the Company to pay core asset incentive fees.

Notes to the consolidated financial statements

29. RELATED PARTY TRANSACTIONS CONTINUED

29.2 Investment Manager remuneration continued

ii. Non-core asset incentive fee

The Investment Manager will be entitled to the non-core asset incentive fee based on the net profits received by the Company from the disposal of any non-core assets. No non-core asset incentive fee will be payable in respect of a non-core asset unless the aggregate disposal proceeds actually received by the Company in respect of such non-core asset exceeds the base value (the 'Payment Condition'). The base value is defined as 65% of the non-core asset value as at 31 December 2014. Subject to satisfaction of the Payment Condition in respect of any non-core asset, the net proceeds actually received by the Company from the disposal of such non-core asset will be divided between the Investment Manager and the Company on the following basis:

- first, 100% to the Company until the Company has received an amount equal to the base value;
- second, 12.5% to the Investment Manager and 87.5% to the Company until the net proceeds equal 80% of the base value;
- third, 17.5% to the Investment Manager and 82.5% to the Company until the net proceeds equal 100% of the base value; and
- thereafter, 25% to the Investment Manager and 75% to the Company.

50% of each non-core asset incentive fee will be placed in an interest bearing escrow account to be operated by the Company's administrator. Any funds held in this escrow account will be dealt with as follows; commencing on 31 December 2016, in the event that, as at 31 December in each year, the aggregate net proceeds received by the Company in relation to all non-core assets disposed of during the previous 12 month period (the 'Look-back Period'):

- do not equal or exceed the aggregate of the base values of any non-core assets disposed of during an applicable Look-back Period (the 'Aggregate Base Value') then the Company's administrator will be authorised to repay any escrowed funds to the Company until such time as the Company has received an amount equal to the Aggregate Base Value and thereafter any remaining escrowed funds (if any) will be paid to the Investment Manager; or
- equal or exceed the Aggregate Base Value then the Company's administrator will be authorised to pay to the Investment Manager the escrowed funds.

A clawback provision is in place with regard to incentive (performance) fee payments in the event the aggregate proceeds from the disposal of assets do not exceed a certain threshold.

29.3 Shareholder and development agreements

Shareholder agreements

On 6 August 2012, the Company signed an agreement for the sale of eight out of the nine remaining Seafront Villas. The total base net consideration agreed for this sale was €10 million, with the Company also entitled to 50% profit participation in the sale of five Villas. It was also agreed that the Company would undertake the construction contract for the completion of the Villas and a €1 million deposit was paid upon signing. During 2013, the Company received an additional amount of €990 thousand. Completion remains pending.

On 1 November 2017, the Company along with the project's current minority shareholder entered into an agreement through its relevant project subsidiary companies, for a €16 million equity investment by One&Only Resorts Limited ('One&Only') in exchange for a 40% shareholding in Single Purpose Vehicle Fourteen Ltd, holding company of 100% of Kéa Resort. The consideration will be deployed in the development of the Kéa Resort, with the transaction including the operation of the Kéa Resort and its residences by One&Only through long-term management and branding agreements. Completion of the investment agreement is subject to the Company meeting certain conditions including the revision of the construction permits to reflect the redesign of the Kéa Resort to meet One&Only brand standards and the completion of a €30 million senior loan facility against the project together with the finalisation of the turn-key construction contract. Completion and commencement of the Kéa Resort's construction is also subject to an additional €4 million equity injection in the Kéa Resort by third party investors.

Development agreements

Pedro Gonzalez Holdings II Limited, a subsidiary of the Group in which the Company held a 60% stake, signed a Development Management agreement with DCI Holdings Twelve Limited ('DCI H12') in which the Group had a stake of 60%. Under its terms, DCI H12 undertook, among others, the management of permitting, construction, sale and marketing of the Pearl Island project. As stated in note 31, the Company entered into a share purchase agreement for the sale of its shareholding in the project on 17 January 2017 and completion took place on 13 March 2017.

Notes to the consolidated financial statements

29. RELATED PARTY TRANSACTIONS CONTINUED

29.4 Other related parties

During the year ended 31 December 2017, the Group did not enter into any significant related party transactions.

During the year ended 31 December 2016, the Group entered into related party transactions with the following parties:

2016

Related party name	€'000	Nature of transaction
Iktinos Hellas S.A.	40	Project management services in relation to Sitia project and rent payment
Third Point LLC, shareholder of the Company	1,200	Bond interest for the year
Third Point LLC, shareholder of the Company	24,566	Loss on disposal of DCA H6 (see note 31)

30. EQUITY-SETTLED SHARE-BASED PAYMENT ARRANGEMENTS

	From 1 January 2017 to 31 December 2017 €'000	From 1 January 2016 to 31 December 2016 €'000
Investment Manager Awards (see note 29.2)	–	(315)
Director Awards (see note 29.1)	(71)	94
Total equity-settled share-based payment arrangements	**(71)**	**(221)**

Investment Manager Awards

On 9 June 2015, under a Stock Incentive Plan, the Company granted two nil-cost share option awards to the Investment Manager (the 'DCP Awards') as follows:

Number of shares to which the DCP Awards relate:

- DCP Award 1: 31,661,940 common shares of €0.01 each; and
- DCP Award 2: 22,615,671 common shares of €0.01 each,

both subject to reductions in case that certain non-market performance targets are not met.

These awards were to performance vest in various equal tranches dependent upon the average closing price of the shares trading at or above certain relevant target share prices for a continuous period of 30 trading days. The relevant target share prices for the purposes of these awards ranged from 35p to 80p.

In 2016, as stated in note 29.2, the Investment Manager fully waived any rights under these Awards that it was entitled to under the terms of the previous IMA and the Company's share incentive plan.

Director Awards

On 9 June 2015, Laurence Geller, Robert Heller and Graham Warner were granted nil-cost share option awards under a Stock Incentive Plan (the 'Director Awards'). These awards will performance vest in equal tranches dependent upon the average closing price of the shares trading at or above certain relevant target share prices for a continuous period of 30 trading days. The relevant target share prices for the purposes of these awards are 35p, 40p, 45p, and 50p. Director Awards remain exercisable up until the day before the fifth anniversary of the grant date of the awards. On 25 January 2018 and 1 March 2016, Robert Heller and Laurence Geller, respectively, resigned from the Company's Board and no longer retain an interest in the stock options issued pursuant to the Company's Stock Option Programme. The number of shares to which the Director Awards relate is 2,261,567 common shares of €0.01 each with reductions in the event that certain non-market performance targets are not met.

The most significant inputs used in the measurement of the grant date fair value of the Awards are as follows:

	Awards
Fair value at grant date	£0.0659
Share price at grant date	£0.215
Exercise price	Nil
Expected volatility (long run forecast)	31%
Risk-free rate (based on UK government 5 year Bonds)	1.523%

Notes to the consolidated financial statements

31. BUSINESS COMBINATIONS

On 17 January 2017, the Company signed a share purchase agreement with Grivalia Hospitality S.A. for the sale of its 60% shareholding in all entities related with the Pearl Island Project. Completion of the disposal was subject to a corporate restructuring and to the consent of the appointed hotel operator to modifications of certain terms of the hotel management agreement. The consideration for the sale comprised a cash payment of €27 million, payable in the form of a €1 million non-returnable deposit, €24 million upon completion of the sale and the remaining €2 million to be retained in an escrow account for a period of 12 months post completion to cover any tax liabilities, potential breach of the Company's warranties or undisclosed indebtedness. Completion took place on 13 March 2017 with €24 million received by the Company on the same date.

	€'000
Investment property	(28,108)
Property, plant and equipment	(25,990)
Receivables and other assets	(2,237)
Cash and cash equivalents	(183)
Deferred tax liabilities	1,238
Trade and other payables	11,652
Net assets	**(43,628)**
Net assets disposed of – 60% shareholding	(26,177)
Net proceeds on disposal	26,476
Gain on disposal recognised in profit or loss	**299**
Cash effect on disposal:	
Net proceeds on disposal	26,476
Cash and cash equivalents	(183)
Net cash inflow on disposal	**26,293**

On 14 November 2016, the Company signed a share purchase agreement with an investor group represented by Third Point LLC for the sale of DCA H6, the entity that indirectly held the Playa Grande Golf and Resort project. Completion of the sale was conditional on the lapse of a Right of First Refusal in relation to the project in favour of its prior owner. The consideration for the sale comprised a cash payment of US$5 million and the retirement of all of the Company's €50 million and US$9.17 million 2018 Convertible Bonds together with any accrued interest on the Bonds. Completion of the sale took place on 8 December 2016, with the 2018 Convertible Bonds cancelled on the same date and the Company having received US$4 million on 8 December 2016.

During 2016, the Group also disposed of its entire holding in Infatran Limited ('Infatran') and DolphinCI Eleven Limited ('DCI 11').

	Note	DCA H6 €'000	Infatran €'000	DCI 11 €'000	Total €'000
Investment property	17	(74,644)	–	–	(74,644)
Property, plant and equipment	16	(78,300)	–	–	(78,300)
Trading properties	19	(3,193)	(1,413)	(1,599)	(6,205)
Other non-current assets		(632)	–	–	(632)
Receivables and other assets		(1,540)	–	–	(1,540)
Cash and cash equivalents		(2,035)	–	–	(2,035)
Loans and borrowings		56,024	–	–	56,024
Deferred revenue		10,660	–	–	10,660
Trade and other payables		6,665	5	16	6,686
Net assets disposed of		(86,995)	(1,408)	(1,583)	(89,986)
Net proceeds on disposal		62,429	845	–	63,274
Disposal consideration via settlement of liability		–	–	2,780	2,780
(Loss)/gain on disposal recognised in profit or loss		**(24,566)**	**(563)**	**1,197**	**(23,932)**
Cash effect on disposal:					
Net proceeds on disposal		62,429	845	–	63,274
Cash and cash equivalents		(2,035)	–	–	(2,035)
Net cash inflow on disposal		**60,394**	**845**	**–**	**61,239**

Notes to the consolidated financial statements

32. NON-CONTROLLING INTERESTS

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

31 December 2017	SPV 10 (Kéa Resort) €'000	SPV 2 (Amanzoe) €'000
Non-controlling interests percentage	**33.33%**	**35.60%**
Non-current assets	21,034	–
Current assets	118	3,929
Non-current liabilities	(22,363)	(84)
Current liabilities	(396)	(385)
Net (liabilities)/assets	(1,607)	3,460
Carrying amount of non-controlling interests	**(535)**	**1,232**
Revenue	23	–
Loss	(501)	(171)
Other comprehensive income	–	–
Total comprehensive income	(501)	(171)
Loss allocated to non-controlling interests	**(167)**	**(61)**
Other comprehensive income allocated to non-controlling interests	**–**	**–**
Cash flow from/(used in) operating activities	41	(23)
Cash flow used in investing activities	(43)	–
Cash flow from financing activities	–	–
Net decrease in cash and cash equivalents	**(2)**	**(23)**

31 December 2016	SPV 10 (Kéa Resort) €'000	SPV 2 (Amanzoe) €'000
Non-controlling interests percentage	**33.33%**	**35.60%**
Non-current assets	21,124	217
Current assets	131	3,837
Non-current liabilities	(21,921)	(75)
Current liabilities	(441)	(349)
Net (liabilities)/assets	(1,107)	3,630
Carrying amount of non-controlling interests	**(369)**	**1,293**
Revenue	40	77
Loss	(368)	(91)
Other comprehensive income	–	–
Total comprehensive income	(368)	(91)
Loss allocated to non-controlling interests	**(123)**	**(32)**
Other comprehensive income allocated to non-controlling interests	**–**	**–**
Cash flow (used in)/from operating activities	(77)	19
Cash flow from investing activities	–	–
Cash flow from financing activities	–	–
Net (decrease)/increase in cash and cash equivalents	**(77)**	**19**

Notes to the consolidated financial statements

33. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed to credit risk, liquidity risk and market risk from its use of financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall strategy remains unchanged from last year.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. The Group's trade receivables are secured with the property sold. Cash balances are mainly held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

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

	Carrying amount	
	31 December 2017 €'000	31 December 2016 €'000
Trade and other receivables (see note 20)	4,181	2,928
Cash and cash equivalents (see note 21)	2,421	4,669
Total	**6,602**	**7,597**

Trade and other receivables

Exposure to credit risk

The maximum exposure to credit risk for trade and other receivables at the end of the reporting year by geographic region was as follows:

	Carrying amount	
	31 December 2017 €'000	31 December 2016 €'000
South-East Europe	4,181	2,359
Americas	–	569
Total trade and other receivables	**4,181**	**2,928**

Credit quality of trade and other receivables

The Group's trade and other receivables are unimpaired.

Cash and cash equivalents

Exposure to credit risk

The table below shows an analysis of the Group's bank deposits by the credit rating of the bank in which they are held:

	No. of banks	31 December 2017 €'000	No. of banks	31 December 2016 €'000
Bank group based on credit ratings by Moody's				
Rating Aaa to A	2	1,380	1	1,281
Rating Caa to C	4	1,041	5	3,387
Bank group based on credit ratings by Fitch's				
Rating BBB to B-	–	–	1	1
Total bank balances		**2,421**		**4,669**

Notes to the consolidated financial statements

33. FINANCIAL RISK MANAGEMENT CONTINUED

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables present the contractual maturities of financial liabilities. The tables have been prepared on the basis of contractual undiscounted cash flows of financial liabilities, and on the basis of the earliest date on which the Group might be forced to pay.

	Carrying amounts €'000	Contractual cash flows €'000	Within one year €'000	One to two years €'000	Three to five years €'000	Over five years €'000
31 December 2017						
Loans and borrowings	89,715	(128,114)	(13,064)	(24,048)	(74,619)	(16,383)
Finance lease obligations	2,998	(4,295)	(8)	(8)	(146)	(4,133)
Land creditors	21,048	(27,695)	(718)	(710)	(3,886)	(22,381)
Trade and other payables	5,875	(5,875)	(5,765)	(110)	–	–
	119,636	**(165,979)**	**(19,555)**	**(24,876)**	**(78,651)**	**(42,897)**
31 December 2016						
Loans and borrowings	92,270	(134,228)	(17,587)	(23,466)	(78,796)	(14,379)
Finance lease obligations	2,982	(4,406)	(49)	(49)	(146)	(4,162)
Land creditors	25,354	(25,354)	(25,354)	–	–	–
Trade and other payables	15,110	(15,110)	(8,632)	(116)	–	(6,362)
	135,716	**(179,098)**	**(51,622)**	**(23,631)**	**(78,942)**	**(24,903)**

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December would have decreased equity and profit or loss by €458 thousand (2016: €499 thousand). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit or loss and other equity.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Group's exposure to foreign currency risk for its use of financial instruments was as follows:

	31 December 2017			31 December 2016		
	Euro '000	USD '000	GBP '000	Euro '000	USD '000	GBP '000
Trade and other receivables	4,181	–	–	2,359	600	–
Cash and cash equivalents	2,421	–	–	4,531	144	1
Loans and borrowings	(89,715)	–	–	(92,270)	–	–
Finance lease obligations	(2,998)	–	–	(2,982)	–	–
Land creditors	(21,048)	–	–	(25,354)	–	–
Trade and other payables	(15,986)	(21)	–	(22,197)	(2,149)	–
Net statement of financial position exposure	**(123,145)**	**(21)**	**–**	**(135,913)**	**(1,405)**	**1**

Notes to the consolidated financial statements

33. FINANCIAL RISK MANAGEMENT CONTINUED

The following exchange rates applied at the date of financial position:

Euro 1 equals:	31 December 2017	31 December 2016
USD	1.20	1.05
TRY	4.55	3.71
HRK	7.44	7.56
GBP	0.89	0.86

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Equity		Profit or loss	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000
USD	2	121	2	121
TRY		–		–
HRK		–		–
GBP		–		–

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while improving the return to shareholders. The Board of Directors is committed to implementing a package of measures that is expected to focus on the achievement of the Group's investment objectives, achieve cost efficiencies and strengthen its liquidity. Notably, these measures include the completion of certain Group asset divestment transactions, as well as the conclusion of additional working capital facilities at the Group and/or Company level.

34. COMMITMENTS

As of 31 December 2017, the Group had a total of €2,695 thousand contractual capital commitments on property, plant and equipment (2016: €1,330 thousand).

Non-cancellable operating lease rentals are payable as follows:

	31 December 2017 €'000	31 December 2016 €'000
Less than one year	20	11
Between two and five years	11	–
Total	**31**	**11**

Notes to the consolidated financial statements

35. CONTINGENT LIABILITIES

Companies of the Group are involved in pending litigations. Such litigation principally relates to day-to-day operations as a developer of second-home residences and largely derives from certain clients and suppliers. Based on advice from the Group's legal advisers, the Investment Manager believes that there is sufficient defence against any claim and does not expect that the Group will suffer any material loss. All provisions in relation to these matters which are considered necessary have been recorded in these consolidated financial statements.

If investment properties, trading properties and property, plant and equipment were sold at their fair market value, this would have given rise to a variable management fee to the Investment Manager, which would be based on the relevant IMA provisions.

In addition to the tax liabilities that have already been provided for in the consolidated financial statements based on existing evidence, there is a possibility that additional tax liabilities may arise after the examination of the tax and other matters of the companies of the Group in the relevant tax jurisdictions.

The Group, under its normal course of business, guaranteed the development of properties in line with agreed specifications and time limits in favour of other parties.

36. SUBSEQUENT EVENTS

On 18 January 2018, the Group entered into an agreement for the disposal of its 77.8% interest in the Sitia Bay Golf Resort project ('project') to its minority partner in the project, Iktinos Hellas S.A., for a consideration of €14 million. The first instalment of €1.4 million was received on 22 January 2018 while the remaining €12.6 million was received on 3 April 2018.

On 5 February 2018, the Group entered into an agreement for the disposal of the Triopetra project to Deniage Ltd ('Deniage'). Deniage purchased the Group's entire shareholding interest for a total cash consideration of €4.1 million. The amount of €4 million was received on 5 February 2018 while the remaining €100 thousand will be withheld until the first anniversary from the transaction to cover any potential latent project liabilities.

There were no other material events after the reporting period which have a bearing on the understanding of the consolidated financial statements as at 31 December 2017.

Valuation certificates

American Appraisal®

Board of Directors
Dolphin Capital Investors
Vanterpool Plaza
2nd fl.- Wickhams Cay 1
Road Town – Tortola,
BVI

Athens, 27 February 2018

Dear Sirs,

In accordance with the terms of our agreement and as independent appraisers, American Appraisal (Hellas) Limited, hereafter also referred as 'AAH', have conducted a valuation of the real estate assets, including land and buildings (the 'Assets') owned by Dolphin Capital Investors Limited, hereafter referred to as 'DCI' or the 'Company' or the 'Client' and certain subsidiaries, in Greece and Cyprus.

Specifically, we provided our independent opinion as to the 'Fair Value' of the real estate assets owned by the Company and/or its subsidiaries in the areas of:

- Aman Zoe, Greece
- Kilada Hills Golf Resort, Porto Heli, Greece
- Lavender Bay, Greece
- Kéa Resort, Greece,
- Sitia Bay Golf Resort, Greece
- Plaka Bay, Greece
- Scorpio Bay, Greece
- Lepitsa Sunset, Greece
- Apollo Heights, Cyprus

The purpose of our valuation exercise was to provide the Board of 'DCI' with information about the Fair Value of the subject assets in order to assist in relation to the compliance with the requirements of the International Financial Reporting Standards – IFRS, the International Accounting Standards, and specifically according to the IAS 40 – Investment Properties and IAS 16 – Property, Plant and Equipment. The value estimates apply as of December 31, 2017 and are subject to the Standard Assumptions and Limiting Conditions attached to our valuation reports and are based on the reasonable assumptions contained in our valuation reports.

In the process of preparing these appraisals we have:

- Undertaken inspection to the majority of the subject properties;
- Collected relevant data regarding the prevailing market conditions and trends that can affect the value of the properties;
- Collected relevant data about the availability of comparable properties in the areas examined;
- Investigated prevailing prices and asking values of similar properties in the areas examined;
- Made the appropriate adjustments, where necessary, in order to proceed with the estimation of the Fair Value of the properties under investigation;
- Relied on information provided by the 'Company'.

Valuation certificates continued

Our valuations assume that the properties have good and marketable titles and are free of any undisclosed legal burdens, outgoings or restrictions.

The valuation reports are not intended for the benefit of a Bank or Developer (other than the Client), and have been prepared at the request of the management of Dolphin Capital Investors Ltd for their exclusive (and confidential) use, and for the specific purpose and use stated in the reports. Any other purpose or use of the reports is not valid. Our reports should not be distributed to any third party. All copyright is reserved by the author and the reports are considered confidential by 'AAH' and the 'Client'.

Our valuation consulting services do not constitute and/ or include investment advice and should not be interpreted as such.

American Appraisal (Hellas) Limited's valuation services are performed in conformity with the RICS (Royal Institution of Chartered Surveyors) Valuation Global Standards (June 2017)[1] and the relevant code of ethics, the International Valuation Standards (IVS[2]) and the IFRS framework. As such, all relevant material was provided in the reports including the discussion of appropriate data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value.

Additional supporting documentation concerning the data, reasoning, and analyses are retained in the appraiser's file. The depth of discussion contained in the reports is specific to the needs of the Client and for the intended use stated therein. Our Appraisal Reports comply with the reporting requirements set forth under the generally accepted appraisal standards and principles.

The basis of value is the 'Fair Value'. For reporting purposes, we have adopted the Royal Institution of Chartered Surveyors ('RICS') and the International Valuation Standards Committee ('IVSC') definition.

According to the International Valuation Standards, Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.[3] According to IVS[4], the Fair Value under IFRS is generally consistent with the concept of Market Value as defined in the IVS Framework.

American Appraisal (Hellas) Limited has no present or prospective interest in or bias with respect to the properties that are the subject of the reports and has no personal interest or bias with respect to the parties involved and has undertaken these valuations as independent valuer. American Appraisal (Hellas) Limited and its Qualified Valuers do not have any conflict of interest in respect to the scope and content of work executed.

It is furthermore noted that we have not performed for the properties in reference a test of earnings and cash flows to verify if they provide sufficient return on the invested capital. Property values may change significantly over a relatively short period. Consequently our valuations are only valid on the date of valuation.

Sincerely yours,

On behalf of American Appraisal (Hellas) Limited

Pavlos M. Zeccos – MSc, CRE®, MRICS
Managing Director

[1] Royal Institution of Chartered Surveyors, the 'Red Book', June 2017
[2] International Valuation Standards (IVS), 2017 edition
[3] IAS 40: para. 5
[4] IVS: IVS 300, Application Guidance G2.

Valuation certificates continued

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

Re: Certificate of Value as of 31 December 2017
Istanbul, Turkey, 24 January 2018

Dear Sirs,

In accordance with the terms of our appointment as independent appraisers, we have conducted a valuation of your real estate assets, including land and buildings (the 'Assets') belonging to Dolphin Capital Investors Limited (AIM: DCI.L) and certain subsidiaries (here after the 'Company') in Turkey. Colliers International Property Consultants (Turkey) have been instructed by Dolphin Capital Investors Limited ('DCI') to offer an opinion of the 'Fair Value' of the real estate asset owned by the Company and/or its subsidiaries in Lavanta project, Kalkan, Antalya, Turkey.

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

The purpose of our valuation analysis was to provide the Board of DCI with information about the Fair Value of the subject assets in order to support their decision-making process in relation to the compliance with the requirements of the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS').

The value estimates apply as of December 31, 2017 and are subject to the Disclaimers, Certifications and Limiting Conditions in addition to the assumptions contained in our valuation reports and that were addressed to the management of DCI. In the process of preparing this appraisal we have:

- Inspected all the subject properties;
- Relied on information provided by the Company;
- Verified current land use and land use regulations;
- Conducted market research into sales and listing data on comparable properties;
- Interviewed market participants; and
- Examined local market conditions and analysed their potential effect on the properties.

Our valuations assume that the properties have good and marketable titles and are free of any undisclosed onerous burdens, outgoings or restrictions.

The valuation reports have been prepared at the request of Dolphin Capital Partners and for their exclusive (and confidential) use, and for the specific purpose and function as stated in the reports. All copyright is reserved to the author and the reports are considered confidential by the author and Dolphin Capital Partners.

The result of our valuation consulting services does not constitute an 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 DCI and its subsidiaries. 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 services are performed in accordance with generally accepted appraisal standards and in conformance with the professional appraisal societies.

We confirm that we do not have any material interest in any of the properties and that we have undertaken these valuations as independent valuers.

The date of valuation has been established as of December 31, 2017.

The basis of value is 'Fair Value'.

Valuation certificates continued

The expression Market Value and the term Fair Value as it commonly appears in accounting standards are generally compatible, if not in every instance exactly equivalent concepts. Fair Value, an accounting concept, is defined in IFRS and other accounting standards as the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's-length transaction. Fair Value is generally used for reporting both Market and Non-Market Values in financial statements. Where the Market Value of an asset can be established, this value will equate to Fair Value.

For reporting purposes, we have adopted Royal Institution of Chartered Surveyors ('RICS') and International Valuation Standards Committee ('IVSC') definition of 'Fair Value' as ''the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion''.

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.

The aggregate fair value figure makes no allowance for any effect that placing the whole portfolio on the market contemporaneously may have on the overall realisation. The Fair Value of the portfolio sold as single entity would not necessarily be the same as the aggregate figure reported.

Property values may change significantly over a relatively short period. Consequently our valuations are only valid on the date of valuation. On the basis of our research, study, inspection, investigation and analysis, it is our opinion that the subject Assets have an estimated 'Fair Value' as of December 31, 2017.

Our Appraisal Reports comply with the reporting requirements set forth under the generally accepted appraisal standards and principles. The valuation reports were prepared in conformity with the International Valuation Standards and the Appraisal Institute. As such, all relevant material was provided in the reports including the discussion of appropriate data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses are retained in the appraiser's file. The depth of discussion contained in the reports is specific to the needs of the client and for the intended use stated therein.

Ahmet Özgür
Director, Valuation & Advisory Services
Colliers International Turkey

Valuation certificates continued

Colliers INTERNATIONAL

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

Re: Certificate of Value as of 31 December 2017
Zagreb, Croatia, 27 February 2018

Dear Sirs,

In accordance with the terms of our appointment as independent appraisers, we have conducted a valuation of your real estate assets, including development land (the 'Assets') belonging to **Dolphin Capital Investors Limited (AIM: DCI.L)** (here after the 'Company') in Croatia, Colliers International Croatia have been instructed by Dolphin Capital Investors Limited (DCI) to offer an opinion of the 'Fair Value' of the real estate asset owned by the Company and/or its subsidiaries in the following location:

DOLPHIN CAPITAL INVESTORS LIMITED REAL ESTATE ASSETS – Q4 2017 REVALUATION

Location	Property
Croatia	Livka Bay Resort

The property is in the course of development.

The purpose of our valuation analysis was to provide to the Board of DCI with information about the Fair Value of the subject assets in order to support their decision-making process in relation to the compliance with the requirements of the International Accounting Standards ('IAS') and the International Financial Reporting Standards ('IFRS').

The value estimates apply as of December 31, 2017 and are subject to the Disclaimers Certifications and Limiting Conditions in addition to the assumptions contained in our valuation reports and that were addressed to the management of DCI. In the process of preparing this appraisal we have:

- Inspected all the subject properties;
- Relied on information provided by the Company;
- Verified current land use and land use regulations;
- Conducted market research into sales and listing data on comparable properties;
- Interviewed market participants; and
- Examined local market conditions and analysed their potential effect on the properties.

Valuation Certificate

Our valuations assume that the property has good and marketable titles and is free of any undisclosed onerous burdens, outgoings or restrictions.

The valuation reports have been prepared at the request of Dolphin Capital Partners and for their exclusive (and confidential) use, and for the specific purpose and function as stated in the reports. All copyright is reserved to the author and the reports are considered confidential by the author and Dolphin Capital Partners.

The result of our valuation consulting services does not constitute an 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 services are performed in accordance with generally accepted appraisal standards and in conformance with the professional appraisal societies.

We confirm that we do not have any material interest in any of the properties and that we have undertaken these valuations as independent valuers.

The date of valuation has been established as of December 31, 2017.

The standard of value is 'Fair Value'.

Valuation certificates continued

The expression Market Value and the term Fair Value as it commonly appears in accounting standards are generally compatible, if not in every instance exactly equivalent concepts. Fair Value, an accounting concept, is defined in IFRS and other accounting standards as the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's-length transaction. Fair Value is generally used for reporting both Market and Non-Market Values in financial statements. Where the Market Value of an asset can be established, this value will equate to Fair Value.

For reporting purposes, we have adopted Royal Institution of Chartered Surveyors – RIGS and International Valuation Standards Committee – IVSC definition of 'Fair Value' as ''the estimated amount for which an asset or liability should exchange on the day of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion''.

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.

The aggregate fair value figure makes no allowance for any effect that placing the whole portfolio on the market contemporaneously may have on the overall realisation. The Fair Value of the portfolio sold as single entity would not necessarily be the same as the aggregate figure reported.

Property values may change significantly over a relatively short period. Consequently our valuations are only valid on the date of valuation. On the basis of our research, study, inspection, investigation and analysis, it is our opinion that the subject Assets have an estimated 'Fair Value' as of December 31, 2017.

Our Appraisal Reports comply with the reporting requirements set forth under the generally accepted appraisal standards and principles. The valuation report is prepared in conformity with the International Valuation Standard, the RICS and the Appraisal Institute of Canada. As such, all relevant material was provided in the reports including the discussion of appropriate data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses are retained in the appraiser's file. The depth of discussion contained in the reports is specific to the needs of the client and for the intended use stated therein.

Respectfully submitted,

Vedrana Likan
General Manager

Management and administration

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Andrew Coppel (Chairman)
Graham Warner
Mark Townsend
Miltos Kambourides
of the registered office below

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