

# Dolphin Cove Limited

## Report To Stockholders

Nine Months ended September 30, 2012



On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the nine months ended September 30, 2012.

### OPERATIONS

	Nine-month period ended September 30, 2012	Nine-month period ended September 30, 2011	Increase %	Three-month period ended September 30, 2012	Three-month period ended September 30, 2011	Increase%	Year ended December 31, 2011
	\$'000	\$'000		\$'000	\$'000		\$'000
Total Revenue	\$1,022,581	\$870,349	17%	\$310,752	\$279,134	11%	\$1,112,458
Profit after taxation	\$248,547	\$196,784	26%	\$54,004	\$49,049	10%	\$204,477
Number of shares in issue	392,426,376	392,426,376		392,426,376	392,426,376		392,426,376
Earnings per share after tax	\$0.63	\$0.50	26%	\$0.14	\$0.12	10%	\$0.52
Dividends declared per share	\$0.20	\$0.08		\$0.16	\$0.08		\$0.12

The results for the nine months continue the trend in growth from the various segments that were evidenced in the second quarter and more fully disclosed in the Segment Information in this report. The vast majority of the group's revenue is in United States dollars.

We continue to introduce new products at our facilities and have started a version of Sea Trek (helmet diving) with our dolphins called "Dolphin Trek". We also started offering a new and exciting way to visit Dunn's River Falls by a "Fun Jet Boat".

Our plan to open and operate additional attractions in other Caribbean territories is proceeding on schedule and we have purchased property and obtained a license to operate in the Turks and Caicos Islands. We have also identified suitable land in another Caribbean Island and are proceeding with our application to obtain a license to operate.

### FINANCIAL POSITION

	As at September 30, 2012	As at September 30, 2011	Increase/ (decrease)	As at December 31, 2011	Increase/ (decrease)
	\$'000	\$'000		\$'000	
Working Capital	\$252,875	\$274,629	-8%	\$218,702	16%
Fixed Assets	\$991,186	\$918,403	8%	\$927,585	7%
Long-term debt	\$52,250	\$162,253	-68%	\$124,863	-58%
Net Assets	\$1,182,788	\$1,021,331	16%	\$1,012,551	17%
Net assets per share	\$3.01	\$2.60	16%	\$2.58	17%
Market price	\$7.50	\$7.00	7%	\$7.60	-1%
Market/Book value	2.49	2.69	-7%	2.95	

The consolidated financial position of the Group is strong, showing a healthy net current assets and net assets position despite the increase in fixed assets, a 68% reduction in long term debt and the payment of dividends during the 12 and nine months periods.

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Nine Months ended September 30, 2012



The Board of Directors declared a dividend of \$0.10 per share payable on November 7, 2012 which is not reflected in the third quarter results. This has brought dividend payments so far this year to 30 cents per share.

Hurricane Sandy, although passing close to our east, did minimal damage to our facility and once again our groins and breakwaters demonstrated their ability to protect our lagoon.

We continue to invest in our human resources, upgrade our facilities and undertake community work. Dolphin Cove won the World Travel Award for Caribbean's Leading Adventure Excursion in September and in November we received the Responsible Tourism Award from the UWI Centre for Tourism Policy and Research.

Director

Stafford Burrowes, OD  
Chairman and Chief Executive Officer

Director

Hon. William A. McConnell, O.J., C.D.  
Chairman of Audit Committee

# Dolphin Cove Limited

## Report To Stockholders

### Nine Months ended September 30, 2012

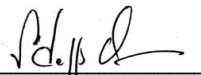


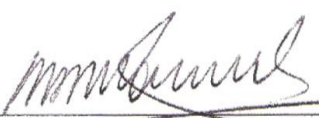
#### DOLPHIN COVE LIMITED

#### Group Interim Statement of Financial Position As at September 30, 2012

	As at September 30, 2012 <u>Unaudited</u>	As at September 30, 2011 <u>Unaudited</u>	As at December 31, 2011 <u>Audited</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	35,368,371	41,124,731	44,922,944
Securities purchased under resale agreements	55,956,623	120,215,753	63,558,935
Investments	54,394,538	55,543,233	54,394,538
Accounts receivable	211,974,960	165,290,575	164,342,854
Due from related parties	7,696,981	4,386,571	5,878,625
Taxation recoverable	5,056,804	3,991,569	4,036,524
Inventories	34,452,655	25,936,473	24,994,578
	<u>404,900,930</u>	<u>416,488,905</u>	<u>362,128,998</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	888,849,027	807,388,414	819,552,062
Biological assets	102,337,162	111,014,682	108,033,316
	<u>991,186,190</u>	<u>918,403,096</u>	<u>927,585,378</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,396,087,120</u></b>	<b>\$ <u>1,334,892,001</u></b>	<b>\$ <u>1,289,714,376</u></b>
<b>CURRENT LIABILITIES</b>			
Bank overdrafts, unsecured	19,119,499	1,415,451	6,769,468
Accounts payable and provisions	73,738,722	68,374,194	64,154,178
Current portion of long term loans	58,643,498	71,768,643	72,496,871
Taxation payable	721,448	301,774	6,216
	<u>152,223,167</u>	<u>141,860,062</u>	<u>143,426,733</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liability	9,022,612	9,447,872	8,873,757
Long term loans	52,250,000	162,253,376	124,862,788
	<u>61,272,612</u>	<u>171,701,248</u>	<u>133,736,545</u>
<b>SHAREHOLDERSEQUITY</b>			
Share capital	257,960,325	257,960,325	257,960,325
Capital reserve	344,965,907	345,742,071	344,965,907
Retained earnings	579,665,109	417,628,295	409,624,866
	<u>1,182,591,341</u>	<u>1,021,330,691</u>	<u>1,012,551,098</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>\$ <u>1,396,087,120</u></b>	<b>\$ <u>1,334,892,001</u></b>	<b>\$ <u>1,289,714,376</u></b>

Approved by the Board of Directors and signed on its behalf by:

  
\_\_\_\_\_  
Stafford Burrowes, O.D. Director

  
\_\_\_\_\_  
Hon. William A. McConnell, O.J., C.D. Director

# Dolphin Cove Limited

## Report To Stockholders

### Nine Months ended September 30, 2012



#### DOLPHIN COVE LIMITED

#### Group Interim Statements of Comprehensive Income Nine -months ended September 30, 2012

	Nine-months ended September 30, 2012	Nine-months ended September 30, 2011	Three-months ended September 30, 2012	Three-months ended September 30, 2011	Year ended December 31, 2011
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
OPERATING REVENUE:					
Dolphin attraction revenue	753,477,028	618,995,214	310,751,889	279,133,590	794,006,489
Less: Direct costs of dolphin attraction	<u>(76,296,640)</u>	<u>(67,755,518)</u>	<u>(24,333,950)</u>	<u>(23,846,635)</u>	<u>(80,886,060)</u>
	<u>677,180,389</u>	<u>551,239,695</u>	<u>202,186,250</u>	<u>178,582,852</u>	<u>713,120,429</u>
Ancillary services revenue	268,517,941	251,353,732	83,944,611	76,623,449	317,853,768
Less: Direct costs of ancillary services	<u>(46,805,556)</u>	<u>(46,457,226)</u>	<u>(15,844,741)</u>	<u>(14,335,536)</u>	<u>(58,014,646)</u>
	<u>221,712,385</u>	<u>204,896,506</u>	<u>68,099,869</u>	<u>62,287,913</u>	<u>259,839,122</u>
Gross profit	898,892,773	756,136,202	270,286,119	240,870,765	972,959,551
Other income	<u>585,664</u>	<u>105,882</u>	<u>287,078</u>	<u>80,654</u>	<u>597,699</u>
	<u>899,478,438</u>	<u>756,242,084</u>	<u>270,573,197</u>	<u>240,951,419</u>	<u>973,557,250</u>
OPERATING EXPENSES:					
Selling	252,546,254	225,396,073	67,773,380	76,184,745	301,273,283
Other operations	215,185,150	191,609,837	80,350,590	67,720,455	263,960,059
Administrative	<u>162,643,927</u>	<u>123,318,882</u>	<u>59,340,134</u>	<u>42,359,742</u>	<u>177,819,869</u>
	<u>630,375,331</u>	<u>540,324,792</u>	<u>207,464,104</u>	<u>186,264,942</u>	<u>743,053,211</u>
Profit before finance income and costs	269,103,106	215,917,292	63,109,093	54,686,477	230,504,039
Finance income	6,459,533	7,387,702	3,435,601	2,998,306	8,722,172
Finance costs	<u>(27,016,131)</u>	<u>(26,521,305)</u>	<u>(12,540,768)</u>	<u>(8,635,469)</u>	<u>(35,317,035)</u>
Profit before taxation	248,546,508	196,783,689	54,003,926	49,049,315	203,909,176
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>567,899</u>
Profit for the period	\$ <u>248,546,508</u>	<u>196,783,689</u>	<u>54,003,926</u>	<u>49,049,315</u>	<u>204,477,075</u>
Other Comprehensive Income					
Fair value depreciation of available for sale investments					<u>(776,164)</u>
					<u>203,700,911</u>

# Dolphin Cove Limited

## Report To Stockholders

Nine Months ended September 30, 2012



### DOLPHIN COVE LIMITED

#### Group Interim Statement Changes in Stockholder's Equity Nine -months ended September 30, 2012

	Nine-months ended September 30, 2012	Nine-months ended September 30, 2011	Year ended December 31, 2011
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
Balances at beginning of period	\$ <u>1,012,551,098</u>	<u>856,197,432</u>	<u>856,197,432</u>
Transactions recorded directly in equity:			
Issue of shares and adjustments	-	(256,799)	(256,799)
Dividends	(78,506,264)	(31,393,631)	(47,090,446)
Fair Value depn. of available -for- sale investments			(776,164)
Profit for the period, being total comprehensive income:	\$ <u>248,546,508</u>	<u>196,783,689</u>	<u>204,477,075</u>
Balance at end of period	\$ <u>1,182,591,341</u>	<u>1,021,330,691</u>	<u>1,012,551,098</u>

# Dolphin Cove Limited

## Report To Stockholders

### Nine Months ended September 30, 2012



#### DOLPHIN COVE LIMITED

#### Group Interim Statement of Cash Flows

	Nine-months ended September 30, 2012	Nine-months ended September 30, 2011	Year ended December 31, 2011
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period	248,546,508	196,783,689	204,477,075
Adjustments for:			
Depreciation and amortisation	23,932,404	22,613,203	30,833,295
Interest income	(6,459,533)	(7,387,702)	(8,722,172)
Interest expense	27,016,131	26,521,305	22,640,117
Gain on disposal of property, plant and equipment	-	(70,000)	(570,000)
Tax expense	-	-	(567,899)
Operating profit before changes in working capital	<u>293,035,510</u>	<u>238,460,495</u>	<u>248,090,416</u>
Accounts receivable	(47,632,106)	(40,655,386)	(39,606,135)
Inventories	(9,458,077)	(617,104)	324,791
Accounts payable and provisions	9,584,544	5,819,572	152,981
Due from/to related parties, net	<u>(1,800,456)</u>	<u>(1,988,664)</u>	<u>(3,480,718)</u>
Cash generated from operations	243,729,416	201,018,913	205,481,335
Interest paid	(27,016,131)	(26,521,305)	(21,193,542)
Income tax paid/withheld	<u>(156,193)</u>	<u>(8,099,179)</u>	<u>(8,445,908)</u>
Net cash provided by operating activities	<u>216,557,093</u>	<u>166,398,429</u>	<u>175,841,885</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	6,459,533	7,387,702	8,620,642
Securities purchased under resale agreements	7,602,313	27,665,637	139,865,688
Investment	-	-	-
Additions to property, plant and equipment	(85,937,613)	(30,288,939)	(49,180,314)
Proceeds from disposal of property, plant and equipment	-	70,000	2,250,000
Additions to biological assets	(1,613,504)	(134,000)	(325,000)
Loan receivable	-	625,798	625,798
Investments acquired	<u>(0)</u>	<u>-</u>	<u>(55,170,702)</u>
Net cash used by investing activities	<u>(73,489,272)</u>	<u>5,326,197</u>	<u>46,686,112</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	(78,506,264)	(31,393,631)	(47,090,446)
shares issued	-	(256,799)	(256,799)
Long term liabilities received, net of repayments	<u>(86,466,161)</u>	<u>(99,627,279)</u>	<u>(136,289,639)</u>
Net cash (used)/provided by financing activities	<u>(164,972,425)</u>	<u>(131,277,709)</u>	<u>(183,636,884)</u>
Net increase in cash resources	(21,904,604)	40,446,917	38,891,113
Cash resources at beginning of the period	<u>38,153,476</u>	<u>(737,637)</u>	<u>(737,637)</u>
CASH RESOURCES AT END OF PERIOD	<u>\$ 16,248,872</u>	<u>39,709,280</u>	<u>38,153,476</u>
Comprising:			
Cash and cash equivalents	35,368,371	41,124,731	44,922,944
Bank overdrafts, unsecured	<u>(19,119,499)</u>	<u>(1,415,451)</u>	<u>(6,769,468)</u>
	<u>\$ 16,248,872</u>	<u>39,709,280</u>	<u>38,153,476</u>

# Dolphin Cove Limited

## Report To Stockholders

### Nine Months ended September 30, 2012



#### DOLPHIN COVE LIMITED

#### Selected Explanatory Notes

Nine-months ended September 30, 2012

#### Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with accounting policies set out in note 2 to the audited consolidated financial statement for the year ended December 31, 2011 which have been consistently applied from period to period.

#### Segment information

	Nine month period to September 30, 2012				
	Ocho Rios	Hanover	Other	Offshore Development	Total
Reportable segment assets	\$ 1,302,348,482	324,340,870	23,218,535	64,081,903	1,713,989,790
Capital expenditure	\$ 21,804,247	1,053,968	610,998	64,081,903	87,551,117
Reportable segment liabilities	\$ 199,242,357	234,657,046	-	64,081,903	497,981,307

	Year ended December 31, 2011				
	Ocho Rios	Hanover	Other	Offshore Development	Total
Reportable segment assets	\$ 1,272,874,998	303,465,300	21,197,550	-	1,597,537,848
Capital expenditure	\$ 36,853,226	11,813,077	839,011	-	49,505,314
Reportable segment liabilities	\$ 264,337,553	287,428,955	-	-	551,766,508

	Nine month period to September 30, 2012				
	Ocho Rios	Hanover	Other	Offshore Development	Total
Gross revenue from external customers	\$ 730,552,326	238,347,614	54,266,358	-	1,022,580,634
Finance Income	\$ 17,632,320	-	-	-	17,632,320
Finance cost	\$ (24,863,294)	(13,325,624)	-	-	(38,188,918)
Depreciation and amortization	\$ (17,338,478)	(5,056,685)	(1,537,241)	-	(23,932,404)
Segment Profit/Loss	\$ 175,919,057	73,647,478	(1,020,027)	-	248,546,508

	Nine month period to September 30, 2011				
	Ocho Rios	Hanover	Other	Offshore Development	Total
Gross revenue from external customers	\$ 639,963,020	169,748,565	60,637,361	-	870,348,946
Finance Income	\$ (24,678,669)	-	-	-	(24,678,669)
Finance cost	\$ (25,073,370)	(18,738,902)	-	-	(43,812,272)
Depreciation and amortization	\$ (17,250,452)	(4,481,255)	(881,496)	-	(22,613,203)
Taxation expense	\$ -	-	-	-	-
Segment profit after tax	\$ 164,144,208	36,762,144	(4,122,662)	-	196,783,689

# Dolphin Cove Limited

## Report To Stockholders

Nine Months ended September 30, 2012



### DOLPHIN COVE LIMITED

#### Selected Explanatory Notes

Nine-months ended September 30, 2012

	<b>Unaudited September 30, 2012</b>	<b>Audited December 31, 2011</b>
<u>Assets</u>		
Total asset for reportable segments	\$ 1,713,989,790	1,597,537,848
Elimination of investment in subsidiaries	\$ (33,220,242)	(33,220,242)
Elimination of due from subsidiaries	\$ (284,682,428)	(274,603,230)
Consolidated total assets	\$ <u>1,396,087,120</u>	<u>1,289,714,376</u>

#### Liabilities

Total liabilities for reportable segments	\$ 498,178,207	551,766,508
Elimination of due from subsidiaries	\$ (284,682,428)	(274,603,230)
Consolidated total liabilities	\$ <u>213,495,779</u>	<u>277,163,278</u>

	<b>Unaudited September 30, 2012</b>	<b>Unaudited September 30, 2011</b>
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#### Finance Income

Total finance income for reportable segments	\$ 17,632,320	24,678,669
Elimination of inter-company transaction	\$ (11,172,787)	(17,290,967)
Consolidated finance income	\$ <u>6,459,533</u>	<u>7,387,702</u>

#### Finance Cost

Total finance cost for reportable segments	\$ 38,188,918	43,812,272
Elimination of inter-company transaction	\$ (11,172,787)	(17,290,967)
Consolidated finance cost	\$ <u>27,016,131</u>	<u>26,521,305</u>