

# Dolphin Cove Limited

## Report To Stockholders

Six Months ended June 30, 2014



On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the six months ended June 30, 2014.

### OPERATIONS

	Six-month period ended June 30, 2014	Six-month period ended June 30, 2013	% increase	Three-month period ended June 30, 2014	Three-month period ended June 30, 2013	% increase	Year ended December 31, 2013
Total Revenue (J\$mn)	\$897.5	\$787.1	14%	\$461.4	\$393.2	17%	\$1,504.7
Profit after taxation (J\$mn)	\$287.2	\$220.9	30%	\$139.0	\$103.3	34%	\$322.1
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	\$0.73	\$0.56	30%	\$0.35	\$0.26	34%	\$0.82
Dividends declared per share	\$0.30	\$0.20		\$0.15	\$0.10		\$0.40

Unaudited profits for the six months ended June 2014 increased to \$287.2mn or 30% above the \$220.9mn earned for the 2013 comparative period.

This rise in profits is mainly as a result of the growth in revenues and supported by cost containment measures which resulted in operating expenses increasing by a lower percentage than the growth in sales. The decision to increase our investments in sales and marketing in Q2, 2014 produced the desired results as Q2 sales increased by 17% above that of Q2, 2013 and also surpassed the 11% increase in revenue which was experienced in the first quarter.

### FINANCIAL POSITION

	As at June 30, 2014	As at June 30, 2013	Increase/ (decrease)	As at December 31, 2013	Increase/ (decrease)
Working Capital (J\$mn)	\$336.4	\$251.8	34%	\$184.8	82%
Fixed Assets (J\$mn)	\$1,461.2	\$1,211.2	21%	\$1,446.4	1%
Net Assets (J\$mn)	\$1,527.4	\$1,294.8	18%	\$1,342.4	14%
Long Term Debt to Equity ratio	0.2:1	0.13:1		0.24:1	
Net assets per share	\$3.89	\$3.30	18%	\$3.42	14%
Market price	\$8.50	\$8.65	-2%	\$8.42	1%
Market/Book value	2.18	2.62	-17%	2.46	-11%

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Six Months ended June 30, 2014



The Group maintained a strong financial position as at the end of Q2, 2014, reflecting an 18% increase in net assets, 34% increase in working capital and paying a 50% higher dividend.

Two additional dolphins have been acquired in Q3 therefore strengthening the Group's expansion plans.

The Government of Jamaica recently opened the Linstead to Moneague route of the North-South Highway (in August 2014) and this provides us the opportunity to further position our product to the market in Kingston and other southern parishes.

Our annual Labour Day project included the installation of fixtures and general beautification work at the Steer Town Basic School. The assistance extended by Dolphin Cove was well received by the teachers, students and the general community.

We continue to pursue viable opportunities designed to expand the Group's earning potential and maximize returns.

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

### Six Months ended June 30, 2014

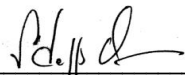


#### DOLPHIN COVE LIMITED

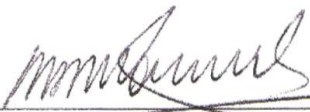
#### Group Interim Statement of Financial Position As At June 30, 2014

	6 Months Ended June 30, 2014	6 Months Ended June 30, 2013	Year Ended December 31, 2013
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	203,694,006	180,861,419	83,950,984
Securities purchased under resale agreements	103,176,580	-	92,894,355
Investments	32,734,417	24,532,101	30,409,595
Accounts receivable	177,901,369	191,985,301	142,903,849
Due from related parties	33,972,216	13,638,358	12,989,826
Taxation recoverable	7,020,490	5,807,559	6,215,420
Inventories	35,324,387	35,842,480	30,931,032
	<u>593,823,465</u>	<u>452,667,218</u>	<u>400,295,061</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1,092,234,875	933,452,428	1,063,478,805
Live assets	368,928,420	277,731,487	382,941,758
	<u>1,461,163,295</u>	<u>1,211,183,915</u>	<u>1,446,420,563</u>
<b>TOTAL ASSETS</b>	<b>\$ 2,054,986,760</b>	<b>1,663,851,133</b>	<b>1,846,715,624</b>
<b>CURRENT LIABILITIES</b>			
Bank overdrafts	51,247,981	21,861,934	17,882,751
Short-term loan	-	50,000,000	
Accounts payable	134,849,301	107,469,732	126,005,139
Current portion of long term liabilities	71,316,672	21,580,000	71,580,004
	<u>257,413,954</u>	<u>200,911,666</u>	<u>215,467,894</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liability	37,500,774	17,232,183	37,500,774
Long-term liabilities	232,634,431	150,920,796	251,342,916
	<u>270,135,205</u>	<u>168,152,979</u>	<u>288,843,690</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	257,960,325	257,960,325	257,960,325
Capital Reserve	392,233,284	351,729,563	376,657,164
Retained Earnings	877,243,992	685,096,600	707,786,551
	<u>1,527,437,601</u>	<u>1,294,786,488</u>	<u>1,342,404,040</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>\$ 2,054,986,760</b>	<b>1,663,851,133</b>	<b>1,846,715,624</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

### Six Months ended June 30, 2014



#### DOLPHIN COVE LIMITED

#### Group Interim Statement of Profit or Loss and Other Comprehensive Income Six months ended June 30, 2014

	6 Months Ended June 30, 2014 <u>Unaudited</u>	6 Months Ended June 30, 2013 <u>Unaudited</u>	3 Months Ended June 30, 2014 <u>Unaudited</u>	3 Months Ended June 30, 2013 <u>Unaudited</u>	Year Ended December 31, 2013 <u>Audited</u>
OPERATING REVENUE:					
Dolphin attraction revenue	606,916,433	517,645,543	320,223,502	274,906,344	993,582,643
Less: Direct costs of dolphin attraction	<u>37,112,627</u>	<u>51,039,225</u>	<u>17,549,512</u>	<u>26,466,332</u>	<u>87,041,667</u>
	<u>569,803,806</u>	<u>466,606,318</u>	<u>302,673,990</u>	<u>248,440,012</u>	<u>906,540,976</u>
Ancillary services revenue	290,374,135	267,232,537	141,145,439	118,187,338	508,626,796
Less: Direct costs of ancillary services	<u>38,066,035</u>	<u>37,778,956</u>	<u>19,555,050</u>	<u>19,981,154</u>	<u>73,629,323</u>
	<u>252,308,100</u>	<u>229,453,581</u>	<u>121,590,389</u>	<u>98,206,184</u>	<u>434,997,473</u>
Gross profit	822,111,906	696,059,899	424,264,379	346,646,196	1,341,538,449
Gain on disposal of property, plant & equipment	-	-	-	-	293,667
Live assets written off	-	-	-	-	(17,854,520)
Other income	<u>205,669</u>	<u>2,237,159</u>	<u>63,680</u>	<u>131,645</u>	<u>2,450,641</u>
	<u>822,317,575</u>	<u>698,297,058</u>	<u>424,328,059</u>	<u>346,777,841</u>	<u>1,326,428,237</u>
OPERATING EXPENSES:					
Selling	253,211,247	214,631,645	133,599,385	105,360,296	442,699,851
Other operations	161,487,812	138,876,026	84,009,869	68,264,045	296,715,508
Administrative	<u>121,329,886</u>	<u>122,921,576</u>	<u>64,006,990</u>	<u>68,157,725</u>	<u>239,484,244</u>
	<u>536,028,945</u>	<u>476,429,247</u>	<u>281,616,244</u>	<u>241,782,066</u>	<u>978,899,603</u>
Profit before finance income and costs	286,288,630	221,867,811	142,711,815	104,995,775	347,528,634
Finance income	25,940,834	13,136,580	9,485,008	6,435,710	35,107,069
Finance costs	<u>(25,043,284)</u>	<u>(14,119,602)</u>	<u>(13,177,378)</u>	<u>(8,087,501)</u>	<u>(40,303,795)</u>
Profit before taxation	287,186,180	220,884,789	139,019,445	103,343,984	342,331,908
Taxation	<u>(826)</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>(20,271,894)</u>
Profit for the period	<u>287,185,354</u>	<u>220,884,789</u>	<u>139,019,469</u>	<u>103,343,984</u>	<u>322,060,014</u>
Other comprehensive Income:					
Items that are or may be reclassified to profit or loss:					
Translation adjustment on consolidation of foreign subsidiaries	13,251,298	-	4,864,673	-	19,078,913
Fair value appreciation of available-for-sale investments	<u>2,324,822</u>	<u>-</u>	<u>725,669</u>	<u>-</u>	<u>5,848,688</u>
	<u>15,576,120</u>	<u>-</u>	<u>5,590,342</u>	<u>-</u>	<u>24,927,601</u>
Total comprehensive income	\$ <u>302,761,474</u>	<u>220,884,789</u>	<u>144,609,811</u>	<u>103,343,984</u>	<u>346,987,615</u>

# Dolphin Cove Limited

## Report To Stockholders

Six Months ended June 30, 2014



### DOLPHIN COVE LIMITED

#### Group Interim Statement of Changes in Stockholders' Equity Six months ended June 30, 2014

	<b>6 Months Ended June 30, 2014 <u>Unaudited</u></b>	<b>6 Months Ended June 30, 2013 <u>Unaudited</u></b>	<b>Year Ended December 31, 2013 <u>Audited</u></b>
Balances at beginning of period	\$ 1,342,404,040	1,152,386,975	1,152,386,975
Transactions recorded directly in equity:			
Dividends	(117,727,913)	(78,485,276)	(156,970,550)
Total comprehensive income:			
Profit for the period	287,185,354	220,884,789	322,060,014
Other comprehensive income:			
Translation adjustment on consolidation of foreign subsidiaries	13,251,298	-	19,078,913
Fair value depn. of available -for- sale investmen \$	<u>2,324,822</u>	<u>-</u>	<u>5,848,688</u>
Balance at end of period	\$ <u>1,527,437,601</u>	<u>1,294,786,488</u>	<u>1,342,404,040</u>

# Dolphin Cove Limited

## Report To Stockholders

### Six Months ended June 30, 2014



#### DOLPHIN COVE LIMITED

#### Group Interim Statement of Cash Flows Six months ended June 30, 2014

	6 Months Ended June 30, 2014 <u>Unaudited</u>	6 Months Ended June 30, 2013 <u>Unaudited</u>	Year Ended December 31, 2013 <u>Audited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period	287,185,354	220,884,789	322,060,014
Adjustments for:			
Depreciation and amortisation	27,705,601	18,666,498	48,032,325
Loss/(gain) on disposal of property, plant and equipment	-	63,333	(293,667)
Live assets written off	-	-	17,854,520
Interest income	(3,303,884)	(680,778)	(2,750,117)
Interest expense	15,012,379	5,296,000	20,318,062
Loss on disposal of investments	-	-	41,104
Impairment loss on trade receivables	-	-	12,355,478
Taxation	826	-	20,271,894
Operating profit before changes in working capital	<u>326,600,276</u>	<u>244,229,842</u>	<u>437,889,613</u>
Accounts receivable	(34,869,258)	(47,850,360)	(10,996,124)
Inventories	(4,393,355)	(9,908,627)	(4,997,179)
Accounts payable	8,844,162	14,246,966	37,608,854
Due from/to related parties	<u>(20,982,390)</u>	<u>42,919,179</u>	<u>43,567,711</u>
Cash generated from operations	275,199,435	243,637,000	503,072,875
Interest paid	(15,012,379)	(2,875,740)	(22,724,282)
Income tax paid	(805,896)	(144,534)	(555,699)
Net cash provided by operating activities	<u>259,381,160</u>	<u>240,616,726</u>	<u>479,792,894</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	3,175,622	680,778	2,621,855
Securities purchased under resale agreements	(10,282,225)	-	(92,894,355)
Additions to property, plant and equipment	(27,852,648)	(47,693,701)	(172,940,058)
Proceeds from disposal of property, plant and equipment	-	1,800,000	2,157,000
Additions to live assets	(1,344,387)	(125,735,528)	(263,867,253)
Proceeds from the disposal of investments	-	30,154,088	30,554,897
Investments acquired	-	-	(470,719)
Net cash provided/(used) by investing activities	<u>(36,303,638)</u>	<u>(140,794,363)</u>	<u>(494,838,633)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short term loan received/(repaid)	-	40,000,000	(10,000,000)
Dividends paid	(117,727,913)	(78,485,276)	(156,970,550)
Long term liabilities, net	<u>(18,971,817)</u>	<u>71,153,949</u>	<u>221,576,073</u>
Net cash (used)/provided by financing activities	<u>(136,699,730)</u>	<u>32,668,673</u>	<u>54,605,523</u>
Net increase in cash resources	86,377,792	132,491,036	39,559,784
Cash resources at beginning of the period	<u>66,068,233</u>	<u>26,508,449</u>	<u>26,508,449</u>
CASH RESOURCES AT END OF PERIOD	<u>\$ 152,446,025</u>	<u>\$ 158,999,485</u>	<u>\$ 66,068,233</u>
Comprising:			
Cash and cash equivalents	203,694,006	180,861,419	83,950,984
Bank overdrafts	<u>(51,247,981)</u>	<u>(21,861,934)</u>	<u>(17,882,751)</u>
	<u>\$ 152,446,025</u>	<u>\$ 158,999,485</u>	<u>\$ 66,068,233</u>

# Dolphin Cove Limited

## Report To Stockholders

### Six Months ended June 30, 2014



#### Selected Explanatory Notes

##### Six-months ended June 30, 2014

##### 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, 2013 which have been consistently applied from period to period.

##### Segment information

<b>Six month period to June 30, 2014</b>				
	Ocho Rios	Hanover	Other	Total
Reportable segment assets	\$ 1,830,824,033	364,207,830	287,814,638	2,482,846,501
Capital expenditure	\$ 20,878,143	438,201	6,536,304	27,852,648
Reportable segment liabilities	\$ 517,330,694	152,646,507	252,003,985	921,981,186

<b>Year ended December 31, 2013</b>				
	Ocho Rios	Hanover	Other	Total
Reportable segment assets	\$ 1,636,370,323	340,362,765	266,603,710	2,243,336,798
Capital expenditure	\$ 20,878,126	2,257,427	149,974,396	172,940,058
Reportable segment liabilities	\$ 479,140,468	154,738,320	233,626,256	867,505,044

<b>Six month period to June 30, 2014</b>				
	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	\$ 671,474,826	216,487,325	77,454,951	965,417,102
Finance Income	\$ 45,623,352	9,611,266	-	55,234,618
Finance cost	\$ (22,750,443)	(18,335,327)	-	(41,085,770)
Depreciation and amortisation	\$ (23,329,327)	(3,412,764)	(963,510)	(27,705,601)
Segment profit after tax	\$ 220,599,759	50,942,623	28,894,270	300,436,652

<b>Six month period to June 30, 2013</b>				
	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	\$ 588,657,309	179,712,841	70,396,089	838,766,239
Finance income	\$ 12,169,603	3,799,027	-	15,968,630
Finance cost	\$ (12,467,470)	(4,479,157)	(5,025)	(16,951,652)
Depreciation and amortisation	\$ (14,307,636)	(3,412,764)	(946,098)	(18,666,498)
Segment profit after tax	\$ 138,635,743	54,493,746	27,755,300	220,884,789

# Dolphin Cove Limited

## Report To Stockholders

### Six Months ended June 30, 2014



#### DOLPHIN COVE LIMITED

##### Selected Explanatory Notes

Six-months ended June 30, 2014

	<b>Unaudited June 30, 2014</b>	<b>Audited December 31, 2013</b>
<u>Assets</u>		
Total asset for reportable segments	2,351,158,621	2,243,336,798
Elimination of investment in subsidiaries	(33,427,714)	(33,427,714)
Elimination of due from subsidiaries	<u>(345,023,641)</u>	<u>(363,193,460)</u>
Consolidated total assets	\$ <u>1,972,707,266</u>	<u>1,846,715,624</u>
<u>Liabilities</u>		
Total liabilities for reportable segments	876,039,160	867,505,044
Elimination of due from subsidiaries	<u>(345,023,641)</u>	<u>(363,193,460)</u>
Consolidated total liabilities	\$ <u>531,015,519</u>	<u>504,311,584</u>
	<b>Unaudited June 30, 2014</b>	<b>Unaudited June 30, 2013</b>
<u>Revenue</u>		
Total Revenue for reportable segments	465,638,616	419,379,912
Less other income	(141,989)	(2,105,514)
Elimination of inter-segment management fees	(7,800,000)	(7,800,000)
Elimination of inter-segment rental income	<u>(21,775,000)</u>	<u>(17,690,000)</u>
	\$ <u>435,921,627</u>	<u>391,784,398</u>
<u>Finance Income</u>		
Total finance income for reportable segments	26,111,154	8,250,120
Elimination of inter-company translation gains	(8,386,625)	-
Elimination of inter-company transactions	<u>(1,268,703)</u>	<u>(1,549,250)</u>
Consolidated finance income	\$ <u>16,455,826</u>	<u>6,700,870</u>
<u>Finance Cost</u>		
Total finance cost for reportable segments	13,134,609	7,581,351
Elimination of inter-company transactions	<u>(1,268,703)</u>	<u>(1,549,250)</u>
Consolidated finance cost	\$ <u>11,865,906</u>	<u>6,032,101</u>
<u>Profit after tax</u>		
Segment profit after tax	156,552,510	117,540,805
Translation adjustment on consolidation	<u>(8,386,625)</u>	<u>-</u>
Consolidated profit for the period	\$ <u>148,165,885</u>	<u>117,540,805</u>