

# Dolphin Cove Limited

## Report To Stockholders

Three Months ended March 31, 2011



On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the quarter ended March 31, 2011.

### HIGHLIGHTS

	<b>Three-month period ended March 31, 2011</b>	<b>Three-month period ended March 31, 2010</b>	<b>Increase</b>
	<b>Unaudited</b>	<b>Unaudited</b>	
Total revenue	\$300,413,833	\$223,427,253	34%
Profit before taxation	\$76,590,083	\$45,265,348	69%
Number of shares in issue	392,426,376	312,426,376	
Earnings per share: pre tax	19.5 cents	14.5 cents	
after tax	19.5 cents	9.7 cents	
	<b>March 31, 2011 Unaudited</b>	<b>December 31, 2010 Audited</b>	
Book value of equity per share	\$2.38	\$2.18	
Total assets per share	\$3.34	\$3.28	

Profit after taxation increased by 153% in the period compared to the same period in 2010. In 2010, our profits were taxable but in 2011 we commenced a period during which the operations will be relieved from tax on profits as more fully disclosed in our 2010 annual report and the prospectus issued in December 2010.

### Income Statement

Performance for the quarter was impacted most notably by our aggressive marketing efforts and an increase in visitor arrivals, as well as the addition of our new marine park at Hanover. Of the 34% increase in total revenue, 20% is attributed to the new park and 14% to the previously existing operations. The tourism sector recorded an increase of 9.6% in cruise arrivals and 5.6% in stopover visitors during the period compared to the same period in 2010. The Historic Port of Falmouth and the 700 room Secrets Hotel in Montego Bay in particular also contributed to our first quarter performance in 2011.

Of the 69% increase in Profit before taxation, 21% is attributed to the new park and 48% to the previously existing operations. This exhibits the propensity of incremental gross income in the more established operations to flow through to net profit due to the fixed cost nature of the operations.

This is a seasonal business with the first quarter usually showing better results than succeeding quarters in any year and expectations for the results of the entire year must be formulated with this in mind.

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Three Months ended March 31, 2011



### Balance Sheet

Our working capital position and equity to debt positions remain strong. The increase in Accounts Receivable reflects the seasonality of the revenues and in particular the high revenues for the month of March 2011, and not a deterioration in collections.

### Outlook

We look forward to continued initiatives on the part of government to reduce the fiscal deficit and put the country on a path of sustainable growth. However, we are concerned that advertising by the Jamaica Tourist Board has been suspended since February 2011 due to budgetary constraints as there might be a lag effect that will manifest itself later in the year in terms of visitor arrivals.

We look forward to the balance of 2011 for increased cruise arrivals into Falmouth and the start of construction of the 900 room expansion at Fiesta Grand Palladium.

Our breeding program continues to be successful with the arrival of a new calf (baby dolphin) in April. This makes a total of 5 babies born in our facilities in the last two years.

We continue to seek opportunities which can generate

value for our stockholders. With the hiring of a highly credentialed operations manager and the strengthening of our finance administration in April 2011, more effort can be devoted to marketing and the exploitation of new opportunities. We are well positioned to finance new opportunities and expansion of our facilities with our strong balance sheet.

### Recognition

We have been nominated for the 2011 World Travel Awards under the category of Caribbean's Leading Adventure Excursion Operator.

Stafford Burrowes, OD  
Chairman and Chief Executive Officer

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

# Dolphin Cove Limited

## Report To Stockholders

### Three Months ended March 31, 2011



DOLPHIN COVE LIMITED

**Group Interim Statement of Financial Position**  
**Quarter ended March 31, 2011**

	<b>Unaudited March 31, 2011</b>	<b>Unaudited March 31, 2010</b>	<b>Audited December 31, 2010</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	26,615,530	23,908,882	18,815,314
Securities purchased under resale agreements	164,851,095	36,259,547	203,424,623
Accounts receivable	185,704,865	141,976,189	124,635,189
Due from related parties	127,538	62,976,672	2,397,907
Taxation recoverable	2,445,991	2,449,344	2,089,992
Inventories	21,032,268	20,745,022	25,319,369
	<u>400,777,287</u>	<u>288,315,656</u>	<u>376,682,394</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	793,666,480	686,674,396	793,153,307
Biological assets	115,044,139	124,605,222	117,440,052
Loan receivable	1,633,532	36,511,540	625,798
	<u>910,344,151</u>	<u>847,791,158</u>	<u>911,219,157</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,311,121,438</b>	<b>1,136,106,814</b>	<b>1,287,901,551</b>
<b>CURRENT LIABILITIES</b>			
Bank overdrafts, unsecured	14,361,733	67,774,374	19,552,951
Accounts payable and provisions	80,710,494	61,739,702	62,554,622
Current portion of long term loans	75,935,303	31,937,548	85,311,252
Due to related parties	-	209,252,854	-
Taxation payable	-	38,847,430	6,499,376
	<u>171,007,530</u>	<u>409,551,908</u>	<u>173,918,201</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	9,447,872	6,567,363	9,447,872
Long term loans	198,135,320	121,793,777	248,338,046
	<u>207,583,192</u>	<u>128,361,140</u>	<u>257,785,918</u>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	257,960,325	39,053,297	258,217,124
Capital reserve	345,742,071	345,742,071	345,742,071
Retained earnings	328,828,320	213,398,398	252,238,237
	<u>932,530,716</u>	<u>598,193,766</u>	<u>856,197,432</u>
<b>LIABILITIES</b>	<b>\$ 1,311,121,438</b>	<b>1,136,106,814</b>	<b>1,287,901,551</b>

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

  
 Director  
 Stafford Burrowes, O.D.

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

# Dolphin Cove Limited

## Report To Stockholders

Three Months ended March 31, 2011



DOLPHIN COVE LIMITED

**Group Interim Statement of Comprehensive Income**  
**Quarter ended March 31, 2011**

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	<b>Three-month period ended March 31, 2011</b>	<b>Three-month period ended March 31, 2010</b>
	<b><u>Unaudited</u></b>	<b><u>Unaudited</u></b>
<b>OPERATING REVENUE:</b>		
Dolphin attraction revenue	203,160,764	153,367,727
Less: Direct costs of dolphin attraction	<u>(31,382,184)</u>	<u>(28,139,291)</u>
	171,778,580	125,228,436
Ancillary services revenue	97,253,069	70,059,526
Less: Direct costs of ancillary services	<u>(15,265,095)</u>	<u>(10,559,456)</u>
	<u>81,987,974</u>	<u>59,500,070</u>
Gross profit	253,766,554	184,728,506
Other income	<u>2,679,992</u>	<u>57,500</u>
	<u>256,446,546</u>	<u>184,786,006</u>
<b>OPERATING EXPENSES:</b>		
Selling	75,926,803	61,262,681
Other operations	57,202,563	45,988,193
Administrative	<u>40,040,576</u>	<u>29,431,235</u>
	<u>173,169,942</u>	<u>136,682,109</u>
Profit before finance income and costs	83,276,604	48,103,897
Finance income	2,356,341	3,937,160
Finance costs	<u>(9,042,862)</u>	<u>(6,775,709)</u>
Profit before taxation	76,590,083	45,265,348
Taxation	<u>-</u>	<u>(14,935,674)</u>
Profit for the period, being total comprehensive income	\$ <u>76,590,083</u>	<u>30,329,674</u>

# Dolphin Cove Limited

## Report To Stockholders

Three Months ended March 31, 2011



DOLPHIN COVE LIMITED

**Group Interim Statement of Changes in Stockholders' Equity**  
**Quarter ended March 31, 2011**

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	<b>Unaudited March 31, 2011</b>	<b>Unaudited March 31, 2010</b>	<b>Audited December 31, 2010</b>
Balance at beginning of period	<u>856,197,432</u>	<u>831,052,742</u>	<u>831,052,742</u>
Transactions recorded directly in equity:			
Issue of shares and adjustments	(256,799)	-	219,163,827
Dividends	-	(263,188,650)	(263,188,650)
	<u>(256,799)</u>	<u>(263,188,650)</u>	<u>(44,024,823)</u>
Profit for the period, being total comprehensive income	<u>76,590,083</u>	<u>30,329,674</u>	<u>69,169,513</u>
Balance at end of period	<u>\$ 932,530,716</u>	<u>598,193,766</u>	<u>856,197,432</u>

# Dolphin Cove Limited

## Report To Stockholders

### Three Months ended March 31, 2011



#### DOLPHIN COVE LIMITED

#### **Group Interim Statement of Changes in Cash Flows** **Quarter ended March 31, 2011**

	<b>Three-month period ended March 31, 2011</b>	<b>Three-month period ended March 31, 2010</b>
	<b><u>Unaudited</u></b>	<b><u>Unaudited</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	76,590,083	30,329,674
Adjustments for:		
Depreciation and amortisation	7,615,559	5,952,657
Interest income	(2,356,341)	(3,937,160)
Interest expense	9,042,862	6,775,709
Tax expense	-	14,935,674
Operating profit before changes in working capital	90,892,163	54,056,554
Accounts receivable	(61,069,676)	(37,856,780)
Inventories	4,287,101	(1,280,001)
Accounts payable and provisions	16,025,461	(1,690,012)
Due from/to related parties, net	2,270,369	(62,739,959)
Cash generated from operations	52,405,418	(49,510,198)
Interest paid	(6,912,451)	(3,990,524)
Income tax paid	(6,855,375)	(292,157)
Net cash provided by operating activities	<u>38,637,592</u>	<u>(53,792,879)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	2,356,341	3,937,160
Securities purchased under resale agreements	38,573,528	32,994,553
Additions to property, plant and equipment	(5,697,819)	(30,963,717)
Additions to biological assets	(35,000)	(136,398)
Loan receivable	(1,007,734)	(588,706)
Net cash provided by investing activities	<u>34,189,316</u>	<u>5,242,892</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Adjustment to share capital	(256,799)	-
Long term liabilities paid, net	(59,578,675)	(9,836,959)
Net cash used by financing activities	<u>(59,835,474)</u>	<u>(9,836,959)</u>
Net increase/(decrease) in cash resources	12,991,434	(58,386,946)
Cash resources at beginning of the period	(737,637)	14,521,454
<b>CASH RESOURCES AT END OF PERIOD</b>	<b>\$ <u>12,253,797</u></b>	<b><u>(43,865,492)</u></b>
Comprising:		
Approved by the Board of Directors and signed on its behalf by:	26,615,530	23,908,882
Bank overdrafts, unsecured	(14,361,733)	(67,774,374)
	<b>\$ <u>12,253,797</u></b>	<b><u>(43,865,492)</u></b>

# Dolphin Cove Limited

## Report To Stockholders

### Three Months ended March 31, 2011



#### DOLPHIN COVE LIMITED

#### **Selected Explanatory Notes** **Quarter ended March 31, 2011**

##### 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 statements for the year ended December 31, 2010, which have been consistently applied from period to period.

##### Dividends

On March 18, 2010, the company paid a dividend of \$6.7392 for each of the 39,053,297 ordinary shares held as of that date.

##### Segment information

Three month period to March 31, 2011				
	<u>Ocho Rios</u>	<u>Hanover</u>	<u>Other</u>	<u>Total</u>
Reportable segment assets	\$ 1,308,811,077	294,654,892	26,255,394	1,629,721,363
Capital expenditure	\$ 5,697,819	35,000	-	5,732,819
Reportable segment liabilities	\$ 366,470,252	297,500,153	-	663,970,405

Year-ended December 31, 2010				
	<u>Ocho Rios</u>	<u>Hanover</u>	<u>Other</u>	<u>Total</u>
Reportable segment assets	\$ 1,297,975,594	277,082,490	24,593,134	1,599,651,218
Capital expenditure	\$ 13,383,873	137,533,520	581,072	151,498,465
Reportable segment liabilities	\$ 420,711,282	289,522,262	-	710,233,544

Three month period to March 31, 2011				
	<u>Ocho Rios</u>	<u>Hanover</u>	<u>Other</u>	<u>Total</u>
Gross revenue from external customers	\$ 229,079,583	44,684,206	26,650,044	300,413,833
Finance income	\$ 8,253,841	-	-	8,253,841
Finance costs	\$ (8,606,657)	(6,333,705)	-	(14,940,362)
Depreciation and amortisation	\$ (5,940,616)	(1,457,747)	(217,196)	(7,615,559)
Segment profit	\$ 62,997,835	9,594,506	3,997,742	76,590,083

Three month period to March 31, 2010				
	<u>Ocho Rios</u>	<u>Hanover</u>	<u>Other</u>	<u>Total</u>
Approved by the Board of Directors and signed	205,639,204	-	17,788,049	223,427,253
\$	3,937,160	-	-	3,937,160
Finance costs	\$ (6,775,709)	-	-	(6,775,709)
Depreciation and amortisation	\$ 3,931,024	-	2,021,633	5,952,657
Tax expense	\$ (14,935,674)	-	-	(14,935,674)
Segment profit after tax	\$ 25,306,116	-	5,023,558	30,329,674

# Dolphin Cove Limited

## Report To Stockholders

### Three Months ended March 31, 2011



#### Selected Explanatory Notes (cont'd)

#### Segment information (cont'd)

Reconciliation of reportable segment assets, liabilities, finance income and finance costs,

	<b>Unaudited March 31, 2011</b>	<b>Audited December 31, 2010</b>
<u>Assets</u>		
Total assets for reportable segments	1,629,721,363	1,599,651,218
Elimination of investment in subsidiaries	(33,220,242)	(33,220,242)
Elimination of due from subsidiary	(285,379,683)	(278,529,425)
Consolidated total assets	\$ <u>1,311,121,438</u>	<u>1,287,901,551</u>
<u>Liabilities</u>		
Total liabilities for reportable segments	663,970,405	710,233,544
Elimination of due to parent company	(285,379,683)	(278,529,425)
Consolidated total liabilities	\$ <u>378,590,722</u>	<u>431,704,119</u>
	<b>Three-month period ended March 31, 2011 Unaudited</b>	<b>Three-month period ended March 31, 2010 Unaudited</b>
<u>Finance income</u>		
Total finance income for reportable segments	8,253,841	3,937,160
Elimination of inter-company transactions	(5,897,500)	-
Consolidated finance income	\$ <u>2,356,341</u>	<u>3,937,160</u>
<u>Finance costs</u>		
Total finance costs for reportable segments	14,940,362	6,775,709
Elimination of inter-company transactions	(5,897,500)	-
Consolidated finance costs	\$ <u>9,042,862</u>	<u>6,775,709</u>