

# Dolphin Cove Limited

## Report To Stockholders

Three Months ended March 31, 2014



On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the three months ended March 31, 2014.

### OPERATIONS

	<b>Three-month period ended March 31, 2014</b>	<b>Three-month period ended March 31, 2013</b>	<b>% increase</b>	<b>Year ended December 31, 2013</b>
<b>Total Revenue (J\$m)</b>	\$436.1	\$393.9	11%	\$1,504.7
<b>Profit after taxation (J\$m)</b>	\$148.2	\$117.5	26%	\$322.1
<b>Number of shares in issue</b>	392,426,376	392,426,376		392,426,376
<b>Earnings per share after tax</b>	\$0.38	\$0.30	26%	\$0.82
<b>Dividends declared per share</b>	\$0.15	\$0.10		\$0.40

The first quarter results of 2014 saw profits after tax rising to \$148.2mn an increase of \$30.7mn or 26% compared to the 2013 corresponding period.

Revenues increased by 11% in Q1 2014 compared to the prior year as our investment in sales and marketing continue to produce favourable results. This growth in revenue is particularly pleasing considering that the Easter holiday fell in Q1 2013 but in 2014 Easter occurred in Q2.

As mentioned in our 2013 Annual Report, the team is committed to keeping expenses at its minimum level and this resulted in operating expenses for the quarter being only 8% above the prior year although there was increased investment in sales and marketing and devaluation of the Jamaican dollar. There was a reduction in the direct cost of dolphin attractions due to savings in the rental costs as a result of the purchase (in Q3, 2013) of seven previously rented dolphins, offset by additional depreciation and interest.

# Dolphin Cove Limited

## Report To Stockholders

Three Months ended March 31, 2014



### FINANCIAL POSITION

	As at March 31, 2014	As at March 31, 2013	Increase/ (decrease)	As at December 31, 2013	Increase/ (decrease)
<b>Working Capital (J\$mn)</b>	\$270.1	\$208.4	30%	\$184.8	46%
<b>Fixed Assets (J\$mn)</b>	\$1,454.4	\$1,070.9	36%	\$1,446.4	1%
<b>Net Assets (J\$mn)</b>	\$1,441.7	\$1,230.7	17%	\$1,342.4	7%
<b>Debt to Equity ratio</b>	0.22:1	0.04:1		0.24:1	
<b>Net assets per share</b>	\$3.67	\$3.14	17%	\$3.42	7%
<b>Market price</b>	\$8.37	\$8.40	0%	\$8.42	-1%
<b>Market/Book value</b>	2.28	2.68	-15%	2.46	-7%

A dividend of 15 cents per share was declared and accrued in the Q1 financial statements and paid in second quarter of 2014. The increase in long-term liabilities (and by extension finance cost) is mainly attributable to the loan which was used to purchase the dolphins, mentioned above.

The financial resources of the group remain strong and this will facilitate our plans to expand our operations to other Caribbean countries.

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

### Three Months ended March 31, 2014



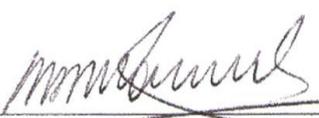
#### DOLPHIN COVE LIMITED

#### Group Interim Statement of Financial Position As At March 31, 2014

	3 Months Ended March 31, 2014	3 Months Ended March 31, 2013	Year Ended December 31, 2013
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	158,957,248	124,607,169	83,950,984
Securities purchased under resale agreements	100,164,949	-	92,894,355
Investments	32,008,748	25,072,730	30,409,595
Accounts receivable	151,127,122	183,419,769	142,903,849
Due from related parties	32,607,662	59,819,480	12,989,826
Taxation recoverable	6,635,344	5,691,300	6,215,420
Inventories	36,817,262	35,118,169	30,931,032
	<u>518,318,335</u>	<u>433,728,617</u>	<u>400,295,061</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	1,078,921,464	915,018,618	1,063,478,805
Live assets	375,467,467	155,847,247	382,941,758
	<u>1,454,388,931</u>	<u>1,070,865,865</u>	<u>1,446,420,563</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,972,707,266</u></b>	<b><u>1,504,594,482</u></b>	<b><u>1,846,715,624</u></b>
<b>CURRENT LIABILITIES</b>			
Bank overdrafts	12,478,009	27,236,650	17,882,751
Short-term loan	-	50,000,000	
Accounts payable	164,190,634	126,544,712	126,005,139
Current portion of long term liabilities	71,580,004	21,580,000	71,580,004
	<u>248,248,647</u>	<u>225,361,362</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	245,266,098	31,315,794	251,342,916
	<u>282,766,872</u>	<u>48,547,977</u>	<u>288,843,690</u>
<b>SHAREHOLDERSEQUITY</b>			
Share capital	257,960,325	257,960,325	257,960,325
Capital Reserve	386,642,942	351,729,563	376,657,164
Retained Earnings	797,088,480	620,995,255	707,786,551
	<u>1,441,691,747</u>	<u>1,230,685,143</u>	<u>1,342,404,040</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>\$ <u>1,972,707,266</u></b>	<b><u>1,504,594,482</u></b>	<b><u>1,846,715,624</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

### Three Months ended March 31, 2014



#### DOLPHIN COVE LIMITED

#### Group Interim Statement of Profit or Loss and Other Comprehensive Income Three months ended March 31, 2014

	3 Months Ended March 31, 2014 <u>Unaudited</u>	3 Months Ended March 31, 2013 <u>Unaudited</u>	Year Ended December 31, 2013 <u>Audited</u>
OPERATING REVENUE:			
Dolphin attraction revenue	286,692,931	242,739,199 *	968,212,303
Less: Direct costs of dolphin attraction	<u>19,563,115</u>	<u>24,572,893</u>	<u>87,041,667</u>
	<u>267,129,816</u>	<u>218,166,306</u>	<u>881,170,636</u>
Ancillary services revenue	149,228,696	149,045,199 *	533,997,136
Less: Direct costs of ancillary services	<u>18,510,985</u>	<u>17,797,802</u>	<u>73,629,323</u>
	<u>130,717,711</u>	<u>131,247,397</u>	<u>460,367,813</u>
Gross profit	397,847,527	349,413,703	1,341,538,449
Gain on disposal of property, plant & equipment	-	-	293,667
Live assets written off	-	-	(17,854,520)
Other income	<u>141,989</u>	<u>2,105,514</u>	<u>2,450,641</u>
	<u>397,989,516</u>	<u>351,519,217</u>	<u>1,326,428,237</u>
OPERATING EXPENSES:			
Selling	119,611,862	109,271,349	442,699,851
Other operations	77,477,943	70,611,981	296,715,508
Administrative	<u>57,322,896</u>	<u>54,763,851</u>	<u>239,484,244</u>
	<u>254,412,701</u>	<u>234,647,181</u>	<u>978,899,603</u>
Profit before finance income and costs	143,576,815	116,872,036	347,528,634
Finance income	16,455,826	6,700,870	35,107,069
Finance costs	<u>(11,865,906)</u>	<u>(6,032,101)</u>	<u>(40,303,795)</u>
Profit before taxation	148,166,735	117,540,805	342,331,908
Taxation	<u>(850)</u>	<u>-</u>	<u>(20,271,894)</u>
Profit for the period	\$ <u>148,165,885</u>	<u>117,540,805</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	8,386,625	-	19,078,913
Fair value appreciation of available-for-sale investments	<u>1,599,153</u>	<u>-</u>	<u>5,848,688</u>
	<u>9,985,778</u>	<u>-</u>	<u>24,927,601</u>
Total comprehensive income	\$ <u>158,151,663</u>	<u>117,540,805</u>	<u>346,987,615</u>

\* The figures for these captions in Q1 2013 have been adjusted for comparative purposes to conform with the current classification of certain components of revenues and expenses

# Dolphin Cove Limited

## Report To Stockholders

Three Months ended March 31, 2014



**DOLPHIN COVE LIMITED**  
**Group Interim Statement of Changes in Stockholders' Equity**  
**Three months ended March 31, 2014**

	<b>3 Months Ended March 31, 2014 <u>Unaudited</u></b>	<b>3 Months Ended March 31, 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	(58,863,956)	(39,242,637)	(156,970,550)
Total comprehensive income:			
Profit for the period	148,165,885	117,540,805	322,060,014
Other comprehensive income:			
Translation adjustment on consolidation of foreign subsidiaries	8,386,625	-	19,078,913
Fair value depn. of available -for- sale investmen	\$ 1,599,153	-	5,848,688
Balance at end of period	\$ 1,441,691,747	1,230,685,143	1,342,404,040

# Dolphin Cove Limited

## Report To Stockholders

### Three Months ended March 31, 2014



#### DOLPHIN COVE LIMITED

#### Group Interim Statement of Cash Flows Three months ended March 31, 2014

	3 Months Ended March 31, 2014 <u>Unaudited</u>	3 Months Ended March 31, 2013 <u>Unaudited</u>	Year Ended December 31, 2013 <u>Audited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period	148,165,885	117,540,805	322,060,014
Adjustments for:			
Depreciation and amortisation	13,914,922	9,333,249	48,032,325
Gain on disposal of property, plant and equipment	-	-	(293,667)
Live assets written off	-	-	17,854,520
Interest income	(1,673,116)	(145,976)	(2,750,117)
Interest expense	7,607,046	1,935,431	20,318,062
Loss on disposal of investments	-	-	41,104
Impairment loss on trade receivables	-	-	12,355,478
Taxation	850	-	20,271,894
Operating profit before changes in working capital	<u>168,015,587</u>	<u>128,663,509</u>	<u>437,889,613</u>
Accounts receivable	(8,095,011)	(39,284,828)	(10,996,124)
Inventories	(5,886,230)	(9,184,316)	(4,997,179)
Accounts payable	(20,678,461)	4,728,110	37,608,854
Due from/to related parties	(19,617,836)	(3,261,943)	43,567,711
Cash generated from operations	<u>113,738,049</u>	<u>81,660,532</u>	<u>503,072,875</u>
Interest paid	(7,607,046)	(1,935,431)	(22,724,282)
Income tax paid	(420,774)	(28,275)	(555,699)
Net cash provided by operating activities	<u>105,710,229</u>	<u>79,696,826</u>	<u>479,792,894</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	1,544,854	145,976	2,621,855
Securities purchased under resale agreements	(7,270,594)	-	(92,894,355)
Additions to property, plant and equipment	(13,287,015)	(21,515,316)	(172,940,058)
Proceeds from disposal of property, plant and equipment	-	-	2,157,000
Additions to live assets	(209,650)	(399,281)	(263,867,253)
Proceeds from the disposal of investments	-	29,613,459	30,554,897
Investments acquired	-	-	(470,719)
Net cash provided/(used) by investing activities	<u>(19,222,405)</u>	<u>7,844,838</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	-	(8,228,541)	(156,970,550)
Long term liabilities, net	(6,076,818)	(48,451,053)	221,576,073
Net cash (used)/provided by financing activities	<u>(6,076,818)</u>	<u>(16,679,594)</u>	<u>54,605,523</u>
Net increase in cash resources	80,411,006	70,862,070	39,559,784
Cash resources at beginning of the period	66,068,233	26,508,449	26,508,449
CASH RESOURCES AT END OF PERIOD	<u>\$ 146,479,239</u>	<u>\$ 97,370,519</u>	<u>\$ 66,068,233</u>
Comprising:			
Cash and cash equivalents	158,957,248	124,607,169	83,950,984
Bank overdrafts	(12,478,009)	(27,236,650)	(17,882,751)
	<u>\$ 146,479,239</u>	<u>\$ 97,370,519</u>	<u>\$ 66,068,233</u>

# Dolphin Cove Limited

## Report To Stockholders

### Three Months ended March 31, 2014



#### DOLPHIN COVE LIMITED

#### Selected Explanatory Notes

#### Three-months ended March 31, 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

#### Three month period to March 31, 2014

	Ocho Rios	Hanover	Other	Total
Reportable segment assets	\$ 1,733,749,745	332,094,313	285,314,563	2,351,158,621
Capital expenditure	\$ 11,152,278	300,825	1,833,912	13,287,015
Reportable segment liabilities	\$ 517,659,421	114,493,905	243,885,834	876,039,160

#### Year ended December 31, 2013

	Ocho Rios	Hanover	Other	Total
Reportable segment assets	\$ 1,636,370,323	340,362,765	266,603,710	2,243,336,798
Capital expenditure	\$ 20,708,235	2,257,427	149,974,396	172,940,058
Reportable segment liabilities	\$ 479,140,468	154,738,320	233,626,256	867,505,044

#### Three month period to March 31, 2014

	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	\$ 325,058,815	98,227,771	42,352,030	465,638,616
Finance Income	\$ 23,924,959	2,186,195	-	26,111,154
Finance cost	\$ (10,820,820)	(2,313,789)	-	(13,134,609)
Depreciation and amortisation	\$ (11,729,308)	(1,706,382)	(479,232)	(13,914,922)
Segment profit after tax	\$ 109,293,542	31,975,974	15,282,994	156,552,510

#### Three month period to March 31, 2013

	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	\$ 299,164,055	82,125,901	38,089,956	419,379,912
Finance income	\$ 7,083,732	1,166,388	-	8,250,120
Finance cost	\$ (5,166,817)	(2,414,534)	-	(7,581,351)
Depreciation and amortisation	\$ (7,153,818)	(1,706,382)	(473,049)	(9,333,249)
Segment profit after tax	\$ 77,918,828	24,531,537	15,090,440	117,540,805

# Dolphin Cove Limited

## Report To Stockholders

### Three Months ended March 31, 2014



#### DOLPHIN COVE LIMITED

##### Selected Explanatory Notes

Three-months ended March 31, 2014

	<b>Unaudited March 31, 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 March 31, 2014</b>	<b>Unaudited March 31, 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>