

Dolphin Cove Limited

Report To Stockholders

Three Months ended March 31, 2013



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, 2013.

OPERATIONS

	Three-month period ended March 31, 2013	Three-month period ended March 31, 2012	% increase	Year ended December 31, 2012
Total Revenue (J\$mn)	\$393.90	\$362.70	9%	\$1,287.60
Profit after taxation (J\$mn)	\$117.50	\$110.30	7%	\$250.80
Number of shares in issue	392,426,376	392,426,376		392,426,376
Earnings per share after tax	\$0.30	\$0.28	7%	\$0.64
Dividends declared per share	\$0.10	\$0.04		\$0.30

Revenues increased by 9% in Q1 2013 compared to the prior year due largely to our marketing and selling efforts. This increase in revenue primarily contributed to a 7% increase in net profits when compared to Q1 of 2012.

Expenses increased at a higher rate than the increase in revenues, particularly at the Hanover Park due to the allocation of more of the central administrative and marketing costs to that operation than in the prior period.

Overall, team member costs increased by 10% as of May 2012 which affected Q1 2013 and not Q1 in 2012. The other parks recorded an increase in profits of 67% as the Half Moon Hotel's new management has delivered better attendance.

We look forward to the reopening of several hotels which have been closed for renovation or expansion. The change of hotel brands such as Breezes Runaway Bay and Hedonism 3 to Jewel and also Ritz Carlton to Playa, (operators of the Secrets and Barcelo brands) should have a very positive effect on our park attendance as they will become more family-oriented, which is a better demographic for us. The planned reopening of the Starfish Hotel in Trelawny and the expansion of RIU in Montego Bay to open later this year should give us a further boost.

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Our strategic plan for expansion in the short term is to establish parks in nearby tourism destinations with attractive markets.

Reclassification

In prior years we attributed all cruise ship revenues to Dolphin attraction revenue in the Group interim statement of comprehensive income. In 2013 we now allocate some of that revenue to Ancillary services revenue. This largely accounts for the apparent decline in Dolphin attraction revenue and increase in Ancillary services revenue.

FINANCIAL POSITION

	As at March 31, 2013	As at March 31, 2012	Increase/ (decrease)	As at December 31, 2012	Increase/ (decrease)
Working Capital (J\$m)	\$208.4	\$290.1	-28%	\$156.5	33%
Fixed Assets (J\$m)	\$1,070.9	\$932.8	15%	\$1,058.3	1%
Long-term debt including current portion (J\$m)	\$52.9	\$179.2	-70%	\$101.3	-48%
Net Assets (J\$m)	\$1,230.7	\$1,107.2	11%	\$1,152.4	7%
Net assets per share	\$3.14	\$2.82	11%	\$2.94	7%
Market price	\$8.40	\$7.00	20%	\$7.80	8%
Market/Book value	\$2.68	\$2.48	8%	\$2.66	1%

The increase in fixed assets compared to March 2012 is mainly due to the acquisition of real estate overseas for the establishment of new parks and the acquisition of additional dolphins.

Long term debt including the current portion has been reduced by \$126.3 million from March 31, 2012 and \$48.4 million since year end.

Director

Stafford Burrowes, OD
Chairman and Chief Executive Officer

Director

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

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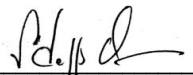


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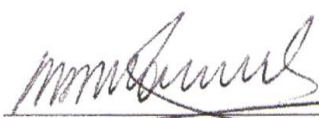
Group Interim Statement of Financial Position As At March 31, 2013

	3 Months Ended March 31, 2013	3 Months Ended March 31, 2012	Year Ended December 31, 2012
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
CURRENT ASSETS			
Cash and cash equivalents	124,607,169	37,971,808	59,263,625
Securities purchased under resale agreements	-	97,560,828	-
Investments	25,072,730	54,212,085	54,686,189
Accounts receivable	183,419,769	226,684,769	144,134,941
Due from related parties	59,819,480	5,081,952	56,557,537
Taxation recoverable	5,691,300	4,582,947	5,663,025
Inventories	35,118,169	28,711,851	25,933,853
	<u>433,728,617</u>	<u>454,806,239</u>	<u>346,239,170</u>
NON-CURRENT ASSETS			
Property, plant and equipment	915,018,618	827,047,990	899,384,545
Biological assets	155,847,247	105,769,548	158,899,972
	<u>1,070,865,865</u>	<u>932,817,538</u>	<u>1,058,284,517</u>
TOTAL ASSETS	\$ <u>1,504,594,482</u>	<u>1,387,623,777</u>	<u>1,404,523,687</u>
CURRENT LIABILITIES			
Bank overdrafts, unsecured	27,236,650	16,042,251	32,755,176
Short term loan	50,000,000	-	10,000,000
Accounts payable and provisions	126,544,712	75,891,603	90,802,506
Current portion of long term loans	21,580,000	72,496,871	56,219,347
Taxation payable	-	301,774	-
	<u>225,361,362</u>	<u>164,732,499</u>	<u>189,777,029</u>
NON-CURRENT LIABILITY			
Deferred tax liability	17,232,183	9,022,612	17,232,183
Long term loans	31,315,794	106,710,830	45,127,500
	<u>48,547,977</u>	<u>115,733,442</u>	<u>62,359,683</u>
SHAREHOLDERSEQUITY			
Share capital	257,960,325	257,960,325	257,960,325
Capital Reserve	351,729,563	344,965,907	351,729,563
Retained Earnings	620,995,255	504,231,604	542,697,087
	<u>1,230,685,143</u>	<u>1,107,157,836</u>	<u>1,152,386,975</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	\$ <u>1,504,594,482</u>	<u>1,387,623,777</u>	<u>1,404,523,687</u>

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

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Three Months ended March 31, 2013



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Group Interim Statement of Comprehensive Income Three months ended March 31, 2013

	3 Months Ended March 31, 2013 <u>Unaudited</u>	3 Months Ended March 31, 2012 <u>Unaudited</u>	Year Ended December 31, 2012 <u>Audited</u>
OPERATING REVENUE:			
Dolphin attraction revenue	245,519,806	260,581,483	868,440,153
Less: Direct costs of dolphin attraction	<u>24,572,893</u>	<u>24,112,579</u> *	<u>91,869,922</u>
	<u>220,946,913</u>	<u>236,468,904</u>	<u>776,570,231</u>
Ancillary services revenue	146,264,593	102,145,921 *	418,198,719
Less: Direct costs of ancillary services	<u>17,797,802</u>	<u>17,177,911</u>	<u>65,740,017</u>
	<u>128,466,791</u>	<u>84,968,010</u>	<u>352,458,702</u>
Gross profit	349,413,704	321,436,914	1,129,028,933
Other income	<u>2,105,514</u>	<u>21,120</u>	<u>924,285</u>
	<u>351,519,218</u>	<u>321,458,034</u>	<u>1,129,953,218</u>
OPERATING EXPENSES:			
Selling	107,647,753	93,447,757	328,745,119
Other operations	71,363,881	63,622,077	292,494,669
Administrative	<u>55,635,547</u>	<u>48,051,101</u>	<u>233,876,051</u>
	<u>234,647,181</u>	<u>205,120,935</u>	<u>855,115,839</u>
Profit before finance income and costs	116,872,037	116,337,099	274,837,379
Finance income/(cost), net	<u>668,768</u>	<u>(6,033,304)</u>	<u>(9,921,523)</u>
Profit before taxation	117,540,805	110,303,795	264,915,856
Taxation	<u>-</u>	<u>-</u>	<u>14,094,731</u>
Profit for the period	\$ <u>117,540,805</u>	<u>110,303,795</u>	<u>250,821,125</u>
Other Comprehensive Income			
Deffered tax on revalued buildings	-	-	6,485,207
Fair value appreciation /(depreciation) of available -for- sale investment	<u>-</u>	<u>-</u>	<u>278,449</u>
	-	-	6,763,656
Total comprehensive income	<u>117,540,805</u>	<u>110,303,795</u>	<u>257,584,781</u>

* The figures for these captions in Q1 2012 have been adjusted for comparative purposes to conform with the current classification of certain components of revenues and expenses

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Three Months ended March 31, 2013



DOLPHIN COVE LIMITED
Group Interim Statement Changes in Stockholder's Equity
Three months ended March 31, 2013

	3 Months Ended March 31, 2013 <u>Unaudited</u>	3 Months Ended March 31, 2012 <u>Unaudited</u>	Year Ended December 31, 2012 <u>Audited</u>
Balances at beginning of period	\$ 1,152,386,975	1,012,551,098	1,012,551,098
Transactions recorded directly in equity:			
Dividends	(39,242,637)	(15,697,057)	(117,748,904)
Deffered tax on revalued buildings	-	-	6,485,207
Fair Value depn. of available -for- sale investments			278,449
Profit for the period, being total comprehensive income:	\$ 117,540,805	110,303,795	250,821,125
Balance at end of period	\$ 1,230,685,143	1,107,157,836	1,152,386,975

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Three Months ended March 31, 2013



DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows Three months ended March 31, 2013

	3 Months Ended March 31, 2013 <u>Unaudited</u>	3 Months Ended March 31, 2012 <u>Unaudited</u>	Year Ended December 31, 2012 <u>Audited</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	117,540,805	110,303,795	250,821,125
Adjustments for:			
Depreciation and amortisation	9,333,249	7,977,377	33,942,762
Adjustment to property plant & equipment			248,000
Interest income	(145,976)	(1,071,756)	(3,892,443)
Interest expense	1,935,431	7,105,061	18,942,673
Tax expense	-	-	14,094,731
Operating profit before changes in working capital	128,663,509	124,314,476	314,156,848
Accounts receivable	(39,284,828)	(62,341,915)	20,207,913
Inventories	(9,184,316)	(3,717,273)	(939,275)
Accounts payable and provisions	4,728,110	11,737,425	19,218,191
Due from/to related parties, net	(3,261,943)	796,673	(50,678,912)
Cash generated from operations	81,660,532	70,789,386	301,964,765
Interest paid	(1,935,431)	(7,105,061)	(11,512,536)
Income tax paid/withheld	(28,275)	(102,009)	(883,815)
Net cash provided by operating activities	79,696,826	63,582,316	289,568,414
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	145,976	1,071,756	3,892,443
Securities purchased under resale agreements	-	(88,213,978)	63,558,935
Investments acquired	29,613,459	54,394,538	(13,202)
Additions to property, plant and equipment	(21,515,316)	(13,036,807)	(103,882,361)
Additions to biological assets	(399,281)	(172,730)	(61,007,540)
Net cash provided/(used) by investing activities	7,844,838	(45,957,221)	(97,451,725)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term loan received/repaid	40,000,000	-	10,000,000
Dividends paid	(8,228,541)	(15,697,057)	(117,748,904)
Long term liabilities received, net	(48,451,053)	(18,151,957)	(96,012,812)
Net cash (used)/provided by financing activities	(16,679,594)	(33,849,014)	(203,761,716)
Net increase in cash resources	70,862,070	(16,223,919)	(11,645,027)
Cash resources at beginning of the period	26,508,449	38,153,476	38,153,476
CASH RESOURCES AT END OF PERIOD	\$ 97,370,519	21,929,557	26,508,449
Comprising:			
Cash and cash equivalents	124,607,169	37,971,808	59,263,625
Bank overdrafts, unsecured	(27,236,650)	(16,042,251)	(32,755,176)
	\$ 97,370,519	21,929,557	26,508,449

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Three Months ended March 31, 2013



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Selected Explanatory Notes

Three-months ended March 31, 2013

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, 2012 which have been consistently applied from period to period.

Segment information

Three month period to March 31, 2013				
	Ocho Rios	Hanover	Other	Total
Reportable segment assets	\$ 1,359,178,553	356,174,181	123,337,389	1,838,690,123
Capital expenditure	\$ 12,792,850	-	8,722,466	21,515,316
Reportable segment liabilities	\$ 260,003,424	239,656,663	74,927,751	574,587,838

Year ended December 31, 2012				
	Ocho Rios	Hanover	Other	Total
Reportable segment assets	\$ 1,297,772,891	321,104,070	101,542,962	1,720,419,923
Capital expenditure	\$ 22,780,137	14,183,685	66,918,539	103,882,361
Reportable segment liabilities	\$ 239,223,705	229,118,087	66,274,014	534,615,806

Three month period to March 31, 2013				
	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	\$ 276,586,066	82,123,891	35,179,956	393,889,913
Finance Income/(cost), net	\$ 1,916,915	(1,248,147)	-	668,768
Depreciation and amortization	\$ (7,153,818)	(1,706,382)	(473,049)	(9,333,249)
Segment Profit/Loss	\$ 77,918,828	24,531,537	15,090,440	117,540,805

Three month period to March 31, 2012				
	Ocho Rios	Hanover	Other	Total
Gross revenue from external customers	\$ 259,611,492	75,858,168	27,278,865	362,748,524
Finance cost, net	\$ (1,162,452)	(4,870,852)	-	(6,033,304)
Depreciation and amortization	\$ (6,291,906)	(1,685,471)	-	(7,977,377)
Segment profit after tax	\$ 75,129,709	26,123,816	9,050,270	110,303,795

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Selected Explanatory Notes

Three-months ended March 31, 2013

	Unaudited March 31, 2013	Audited December 31, 2012
<u>Assets</u>		
Total asset for reportable segments	\$ 1,838,690,123	1,720,419,923
Elimination of investment in subsidiaries	\$ (33,417,142)	(33,417,142)
Elimination of due from subsidiaries	\$ (300,678,499)	(282,479,094)
Consolidated total assets	\$ <u>1,504,594,482</u>	<u>1,404,523,687</u>
 <u>Liabilities</u>		
Total liabilities for reportable segments	\$ 574,587,838	534,615,806
Elimination of due from subsidiaries	\$ (300,678,499)	(282,479,094)
Consolidated total liabilities	\$ <u>273,909,339</u>	<u>252,136,712</u>