

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2018



Dolphin Cove limited
Report to Stockholders
Nine Months ended September 30, 2018

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 September 30, 2018.

OPERATIONS

OPERATIONS										
	Nine-month period ended Sept 30, 2018	Nine-month period ended Sept 30, 2017	% Change	Three-month period ended Sept 30, 2018	Three-month period ended Sept 30, 2017	% Change	Twelve-month period ended Sept 30, 2018	Twelve-month period ended Sept 30, 2017	% Change	Year ended December 31, 2017
Total Revenue (US\$m)	\$10.8	\$12.3	-12%	\$3.6	\$4.1	-12%	\$13.5	\$15.0	-10%	\$15.0
Profit after taxation (US\$m)	\$2.9	\$4.1	-29%	\$0.9	\$1.5	-40%	\$2.4	\$3.3	-27%	\$3.5
Number of shares in issue	392,426,376	392,426,376		392,426,376	392,426,376		392,426,376	392,426,376		392,426,376
Earnings per share after tax	\$0.007	\$0.010	-29%	\$0.002	\$0.004	-40%	\$0.006	\$0.008	-27%	\$0.009
Dividends declared per share	\$0.0045	\$0.0046		\$0.0015	\$0.0046		\$0.0062	\$0.0046		\$0.0062

Despite the fact that one of the major cruise lines with which we deal, Royal Caribbean, drastically reduced calls to Jamaica this year and despite the adverse effect of the state of emergency on the attractions business, we were able to hold the decline in revenue to just 12% year to date. We believe that we will see a recovery of calls to Jamaica by cruise ships with our customer demographic, but we are also working on new sales and marketing strategies to restore the revenue loss.

Our Half Moon Hotel operation was closed due to the renovation of the hotel but the opening of the facility at Puerto Seco in the near future is expected to more than compensate for the loss of revenue from Half Moon.

We continue to improve and renovate our facilities and spent approximately US\$700,000 on fixed assets during the year to date. In addition, we have included lunch in almost all of our programmes and done special promotions to better incentivize Tour Operators

Management has also been successful in managing expenses, but since most of our expenses are fixed the decline in profits was greater, at 40%, than the decline in revenues.


 _____ Director
 Stafford Burrowes, OD
 Chairman and Chief Executive Officer



 Travis Burke AMU95
 Non Executive Director

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FINANCIAL POSITION

FINANCIAL POSITION					
	As at September 30, 2018	As at September 30, 2017	% Change	As at December 31, 2017	% Change
Working Capital (US\$mn)	\$1.9	\$4.1	-54%	\$1.5	27%
Fixed Assets (US\$mn)	\$25.4	\$24.8	2%	\$24.9	2%
Net Assets (US\$mn)	\$27.6	\$27.8	-1%	\$26.4	5%
Debt to Equity ratio	0.01:1	0.03:1		0.02:1	
Net assets per share	\$0.07	\$0.07	-1%	\$0.07	5%
Market price (J\$mn)	\$16.93	\$17.49	-3%	\$16.00	6%
Market/Book value	1.85	1.90	-3%	1.83	1%

As at September 30 2018, cash and cash equivalents increased by 13% since the last year end. Working Capital declined as a result of the renovation works and improvements to fixed assets and the reduction of the long-term liabilities as well as maintaining the level of dividends at a time of reduced profits, but it is at the very healthy ratio of over 2:1. Our debt to equity ratio is almost nil, with debt at US\$343,000 compared to equity of US\$27.6 million.

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DOLPHIN COVE LIMITED

Interim Statement of Financial Position
As At September 30, 2018

	As at September 30, 2018	As at September 30, 2017	As at December 31, 2017
	<u>Unaudited</u> <u>US\$</u>	<u>Unaudited</u> <u>US\$</u>	<u>Audited</u> <u>US\$</u>
CURRENT ASSETS			
Cash and cash equivalents	1,013,911	2,473,025	850,676
Investments	2,127	2,249	2,127
Accounts receivable	1,473,516	2,242,272	1,975,490
Due from related parties	633,094	578,665	28,896
Taxation recoverable	89,293	29,682	339,788
Inventories	689,396	780,675	376,059
	<u>3,901,338</u>	<u>6,106,568</u>	<u>3,573,036</u>
NON-CURRENT ASSETS			
Property, plant and equipment	21,593,479	20,741,651	20,931,448
Live Assets	3,776,571	4,080,357	3,968,868
Due from Related company	1,110,012	110,000	1,110,012
	<u>26,480,062</u>	<u>24,932,008</u>	<u>26,010,328</u>
TOTAL ASSETS	\$ 30,381,399	\$ 31,038,576	\$ 29,583,364
CURRENT LIABILITIES			
Bank overdrafts	57,756	73,601	18,746
Accounts payable	1,491,941	1,355,038	1,576,306
Current portion of long term liabilities	340,750	392,160	404,505
Taxation payable	-	6,628	35,928
Due to other related companies	99,641	154,520	20,800
	<u>1,990,088</u>	<u>1,981,947</u>	<u>2,056,285</u>
NON-CURRENT LIABILITY			
Deferred tax liability	776,917	984,848	856,916
Long term loans	2,935	320,817	226,164
	<u>779,852</u>	<u>1,305,665</u>	<u>1,083,080</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Capital Reserve	10,384,691	10,664,968	10,560,310
Retained Earnings	13,572,379	13,431,606	12,229,299
	<u>27,611,460</u>	<u>27,750,964</u>	<u>26,443,999</u>
TOTAL EQUITY AND LIABILITIES	\$ 30,381,399	\$ 31,038,576	\$ 29,583,364

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2018



DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income Nine months ended September 30, 2018

	9 Months Ended September 30, 2018	9 Months Ended September 30, 2017	3 Months Ended September 30, 2018	3 Months Ended September 30, 2017	Year Ended December 31, 2017
	<u>Unaudited</u> <u>US\$</u>	<u>Unaudited</u> <u>US\$</u>	<u>Unaudited</u> <u>US\$</u>	<u>Unaudited</u> <u>US\$</u>	<u>Audited</u> <u>US\$</u>
OPERATING REVENUE:					
Dolphin Attraction Revenue	6,380,529	7,352,703	2,139,631	2,442,888	9,136,730
Ancillary Services Revenue	<u>5,237,182</u>	<u>5,678,142</u>	<u>1,751,037</u>	<u>1,931,016</u>	<u>7,496,406</u>
Overall Revenue	11,617,711	13,030,845	3,890,667	4,373,904	16,633,136
Less: Direct Costs	<u>1,042,365</u>	<u>736,361</u>	<u>386,459</u>	<u>263,961</u>	<u>1,639,020</u>
Gross Profit	10,575,346	12,294,484	3,504,208	4,109,943	14,994,116
Gain on disposal of property, plant & equipment	-	-	-	-	440
Live assets retired	-	-	-	-	99
Other income	<u>193,784</u>	<u>3,810</u>	<u>62,485</u>	<u>2,326</u>	<u>-</u>
	<u>10,769,130</u>	<u>12,298,294</u>	<u>3,566,693</u>	<u>4,112,269</u>	<u>14,994,655</u>
OPERATING EXPENSES:					
Selling	2,837,248	3,259,237	1,012,224	1,085,942	4,571,456
Other operations	2,533,676	2,628,548	843,256	782,080	3,679,140
Administrative	<u>1,925,460</u>	<u>1,930,330</u>	<u>638,955</u>	<u>624,600</u>	<u>2,678,228</u>
	<u>7,296,384</u>	<u>7,818,115</u>	<u>2,494,434</u>	<u>2,492,622</u>	<u>10,928,824</u>
Profit before finance income and costs	3,472,746	4,480,179	1,072,258	1,619,647	4,065,831
Finance income	54,215	241,593	26,759	89,902	43,279
Finance costs	(209,444)	(284,923)	(67,078)	(87,137)	(277,141)
Gain on disposal of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,126</u>
Profit Before taxation	3,317,517	4,436,849	1,031,940	1,622,412	3,937,095
Taxation	<u>(367,553)</u>	<u>(315,620)</u>	<u>(116,742)</u>	<u>(104,420)</u>	<u>(405,000)</u>
Profit for the period	\$ <u>2,949,964</u>	<u>4,121,229</u>	<u>915,198</u>	<u>1,517,992</u>	<u>3,532,095</u>
Earnings per stock unit	<u>0.75€</u>	<u>1.05€</u>	<u>0.23€</u>	<u>0.39€</u>	<u>0.9€</u>
Other comprehensive income:					
Items that are or may be reclassified to profit or loss:					
Fair value appreciation of available-for-sale investments, being total other comprehensive income	-	-	-	-	9,523
Realised gain on disposal of available-for-sale investments recognised in statement of profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,126)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95,603)</u>
Total comprehensive income	\$ <u>2,949,964</u>	<u>4,121,229</u>	<u>915,198</u>	<u>1,517,992</u>	<u>3,436,492</u>

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DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Nine months ended September 30, 2018

	9 Months Ended September 30, 2018	9 Months Ended September 30, 2017	Year Ended December 31, 2017
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Balances at beginning of period	\$ 26,443,999	25,441,329	25,441,329
Transactions with owners of the company:			
Dividends	(1,782,503)	(1,811,594)	(2,433,822)
Total comprehensive income:			
Profit for the period	2,949,964	4,121,229	3,532,095
Other comprehensive income:			
Fair value appreciation of available-for-sale investments	-	-	9,523
Realised gain on disposal of available-for-sale investments	-	-	(105,126)
Balance at end of period	\$ 27,611,460	27,750,964	26,443,999
Balance	-	-	-

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DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows
Nine months ended September 30, 2018

	9 Months Ended September 30, 2018	9 Months Ended September 30, 2017	Year Ended December 31, 2017
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	2,949,964	4,121,229	3,532,095
Adjustments for:			
Depreciation and amortisation	514,703	640,855	1,071,037
Gain on disposal of property, plant and equipment	-	-	(440)
Gain on disposal of Investments	-	-	(105,126)
Interest income	(54,215)	(241,593)	(7,181)
Interest expense	209,444	284,923	28,110
Impairment loss on trade receivables	-	-	79,245
Taxation	367,553	315,620	405,000
Operating profit before changes in working capital	<u>3,987,449</u>	<u>5,121,034</u>	<u>5,002,740</u>
Accounts receivable	501,974	(645,607)	(355,227)
Inventories	(313,337)	(436,973)	(32,356)
Accounts payable	(84,365)	14,684	325,908
Due from/to related parties	-	154,520	(1,312)
Cash generated from operations	<u>4,091,720</u>	<u>4,207,660</u>	<u>4,939,753</u>
Interest paid	(33,557)	-	(118,066)
Income tax paid	(367,553)	-	(451,341)
Net cash provided by operating activities	<u>3,690,610</u>	<u>4,207,660</u>	<u>4,370,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,154	-	7,181
Additions to property, plant and equipment	(728,651)	(449,018)	(1,406,435)
Proceeds from disposal of property, plant and equipment	32	-	3,848
Additions to live assets	-	(214,823)	(410,160)
Due from related company	(473,918)	(443,044)	200
Proceed from sales of investments	-	-	307,433
Net cash provided/(used) by investing activities	<u>(1,200,384)</u>	<u>(1,106,885)</u>	<u>(1,497,933)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(1,782,503)	(1,811,594)	(2,433,822)
Long term liabilities, net	(583,498)	-	(716,905)
Net cash (used)/provided by financing activities	<u>(2,366,001)</u>	<u>(1,811,594)</u>	<u>(3,150,727)</u>
Net increase in cash resources	124,226	1,289,180	(278,314)
Cash resources at beginning of the period	831,930	1,110,244	1,110,244
CASH RESOURCES AT END OF PERIOD	<u>\$ 956,156</u>	<u>2,399,424</u>	<u>831,930</u>
Comprising:			
Cash and cash equivalents	1,013,911	2,473,025	850,676
Bank overdrafts	(57,756)	(73,601)	(18,746)
	<u>\$ 956,156</u>	<u>2,399,424</u>	<u>831,930</u>

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Selected Explanatory Notes

Nine months ended September 30, 2018

1. Corporate structure and principal activities

(a) Dolphin Cove Limited (the company) is incorporated and domiciled in Jamaica and its registered office and principal place of business is located at Belmont Road, Ocho Rios, St. Ann, Jamaica, W.I.

The principal activities of the company are the operation of marine parks and adventure programmes and ancillary operations such as restaurants, gift shops and photography at several locations in Jamaica.

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on December 21, 2010.

(b) The company and its wholly-owned subsidiaries, as listed below, are collectively referred to as "the Group".

(i) Dolphin Cove (Negril) Limited was incorporated in Jamaica, on May 11, 2010, and commenced operations in September 2010. Its principal place of business is located at Point, Lucea, Hanover, Jamaica W.I. and it owns the real estate in Hanover which is now leased to the company.

(ii) Too Cool Limited is incorporated in the Cayman Islands and owns land and buildings from which the company operates.

(iii) Cheshire Hall Limited was incorporated on June 22, 2012 as a St. Lucian International Business Company (IBC), controlled by the company through a deed. Its wholly-owned subsidiary, DCTCI Limited was incorporated in the Turks and Caicos Islands and owns land on which the Group intends to develop an attraction.

(iv) Balmoral Dolphins Limited is a St. Lucian IBC, incorporated on April 5, 2012. Its wholly-owned subsidiary, Dolphin Cove TCI Limited, was incorporated in the Turks & Caicos Islands for the intended purpose of operating the attraction to be developed by DCTCI Limited.

(v) SB Holdings Limited was incorporated on November 4, 2013, as a St. Lucian IBC. Its wholly-owned subsidiary, Marine Adventure Park Limited, was also incorporated in St. Lucia and purchased land in St. Lucia on which the Group intends to develop an attraction.

(c) Effective January 8, 2016, World of Dolphins Inc. holds 79.99% of shares issued by Dolphin Cove Limited. World of Dolphins, Inc. is a subsidiary of Controladora Dolphin SA de C.V. (intermediate holding company), which is in turn a subsidiary of Dolphin Capital Company, S. de RL de C.V. (ultimate holding company), referred to as the "Dolphin Discovery group" or "the Wider Group". Both companies are incorporated in Mexico.

2. Statement of compliance and basis of preparation

These unaudited interim financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and comply with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act. The condensed interim financial information should be read in conjunction with the annual audited financial statements of the Group and the company. The statements are expressed in United States dollars which is the functional currency of the Group.

Property, Plant and equipment and live assets are included in the balance sheet at revalued amounts from time to time.

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3. Accounting policies

The principal accounting policies applied in the preparation of these unaudited financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016 as set out in Note 2 thereof.

4. Seasonality of operations

The Group earns revenues mainly from visitors to the country the number of which is higher in the winter months of the Northern hemisphere. Accordingly, the results of the first portions of the calendar year cannot be taken to be indicative of the likely performance of the entire year. As a result, the Group has adopted the practice recommended in IAS 34 that the results of operations should also be disclosed on a rolling twelve-month basis as well as disclosing the calendar quarterly and year to date results in the summary information in Operations.

5. Related parties

Due from

This amount represents amounts collected by the Wider Group and payable to the Group for bookings of visitors to the Group's parks, also the group conducts transactions in respect of animals being cared for in Jamaica that belong to other group companies as a result of their temporary relocation due to recent hurricanes.

Due to

The amount included in current liabilities represents accrued fees unpaid in respect of central services provided to the Group by its the Wider Group that have been approved by a committee of the board of directors comprised of the independent directors.

The amount in non-current liabilities represented a deposit paid to the Wider Group in respect of a construction project in St. Lucia on behalf of the Group which has been deferred of which US\$1,340,000 was refunded in 2017.

6. Earnings per share

The calculation of the earnings per share is based on the net profit and the 392,426,376 shares in issue during all of the periods.