

Dolphin Cove Limited

Report to Stockholders

Nine months ended September 30, 2019



Dolphin Cove limited
 Report to Stockholders
 Nine months ended September 30, 2019

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, 2019.

OPERATIONS

OPERATIONS										
	9 Months Ended September 30, 2019	9 Months Ended September 30, 2018	% var	3 Months Ended September 30, 2019	3 Months Ended September 30, 2018	% var	LTM Ended September 30, 2019	LTM Ended September 30, 2018	% var	Year Ended December 31, 2018
	Unaudited	Unaudited		Unaudited	Unaudited		Unaudited	Unaudited		
Total Revenue (US\$m)	\$10.6	\$10.8	-2%	\$3.4	\$3.6	-6%	\$13.0	\$13.5	-4%	\$13.5
Profit after taxation (US\$m)	\$2.1	\$2.9	-28%	\$0.7	\$0.9	-22%	\$1.5	\$2.4	-38%	\$2.3
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	\$0.005	\$0.007	-28%	\$0.002	\$0.002	-22%	\$0.004	\$0.006	-38%	\$0.006
Dividends declared per share	\$0.0040	\$0.0045		\$0.0020	\$0.0015		\$0.0040	\$0.0062		\$0.0600

During the nine months to September the Tour Operator Market showed a recovery in production (+7%) with significant improvement on the Montego Bay area. We also achieved improved performance in sales at Yaaman Adventure Park from this same market as this product becomes established. However, the arrivals of ships to the Falmouth Port declined by 18%, and this reduction in arrivals affected production from the Cruise Ship Market as 50% of our guests from cruise ships come from this port. The above factors, when taken together, resulted in a 2% decline in revenue compared to 2018.

Despite the lower revenues from the dolphin attractions, ancillary revenue showed a marginal increase over both the last quarter and the last nine months.

Our direct costs increased during this year driven mainly by the addition of four dolphins at Puerto Seco and enhanced veterinary procedures.

Selling, operating and Administration expenses increased by 7% vs 2018 mainly due to the increase in selling efforts focused in the tour operator and eCommerce markets, increase in the depreciation of assets and the impact of adoption of IFRS9, an accounting standard that requires provisioning in relation to accounts receivable to be anticipated at the time all revenue is recorded instead of at the time collection is deemed to be doubtful.

In addition to the above, the expenses incurred in the operation of our new facility at Puerto Seco that were not contemplated, such as legal fees and environmental requirements, represented 1% of this 6% increase.

Accounts receivable increased from \$1.47m in September 2018 to \$1.91m in September 2019 largely as a result of the trend towards tour operator business rather than cruise ship business, the tour operator business having longer credit terms.

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FINANCIAL POSITION

FINANCIAL POSITION					
	As at September 30, 2019 <u>Unaudited</u>	As at September 30, 2018 <u>Unaudited</u>	% var	As at December 31, 2018 <u>Audited</u>	% var
Working Capital (US\$m)	\$3.0	\$1.9	58%	\$1.6	88%
Fixed Assets (US\$m)	\$27.0	\$25.4	6%	\$27.2	-1%
Net Assets (US\$m)	\$29.7	\$27.6	8%	\$28.8	3%
Debt to Equity ratio	0:1	0.01:1		0.01:1	
Net assets per share	\$0.08	\$0.07	8%	\$0.07	3%
Market price (J\$m)	\$11.20	\$16.93	-34%	\$16.50	-32%
Market price (USD\$m)*	\$0.08	\$0.13	-34%	\$0.12	-32%
Market/Book value	1.09	1.85	-41%	1.66	-34%

* Exchange rate 135 JMD / USD

As at September 30, 2019 cash and cash equivalents increased by 31% compared to December 31 2018. Working Capital increased by 58% as a result of the increase in cash and accounts receivable and the reduction of current and long-term liabilities. Our debt to equity ratio is almost nil, with debt at US\$40,173 and equity of US\$29.7 million.

This year the attractions subsector of the tourism industry has faced challenges from external events: a decline in the high-quality cruise ship arrivals and shifts in important DMC accounts, but we are optimistic about the future because we have a very strong balance sheet and it is expressed in United States dollars. We have a product that is in high demand and a brand name in the world of the marine park business associated with the highest ethical standards operating in a market that is buoyant in terms of hotel room growth and we are diversifying our product mix.

Stafford Burrowes
Chariman

Lorenzo Camara
Director

Emmanuel Islas
Financial Controller

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DOLPHIN COVE LIMITED

Interim Statement of Financial Position
As At September 30, 2019

	As at September 30, 2019 <u>Unaudited</u> <u>US\$</u>	As at September 30, 2018 <u>Unaudited</u> <u>US\$</u>	As at December 31, 2018 <u>Audited</u> <u>US\$</u>
CURRENT ASSETS			
Cash and cash equivalents	1,123,436	1,013,911	857,090
Investments	2,127	2,127	2,127
Accounts receivable	1,912,399	1,473,516	1,893,623
Due from related companies	514,099	633,094	410,787
Due from parent company	462,000	-	264,000
Taxation recoverable	217,097	89,293	211,835
Inventories	405,187	689,396	355,098
	<u>4,636,344</u>	<u>3,901,338</u>	<u>3,994,560</u>
NON-CURRENT ASSETS			
Property, plant and equipment	22,545,248	21,593,479	22,679,522
Live Assets	4,466,945	3,776,571	4,537,895
Due from Related company	1,110,012	1,110,012	1,110,012
	<u>28,122,205</u>	<u>26,480,062</u>	<u>28,327,429</u>
TOTAL ASSETS	<u>32,758,549</u>	<u>30,381,399</u>	<u>32,321,989</u>
CURRENT LIABILITIES			
Bank overdrafts	144,046	57,756	54,389
Accounts payable	1,466,961	1,491,941	2,040,798
Current portion of long term liabilities	21,966	340,750	231,984
Taxation payable	17,456	-	17,456
Due to other related companies	23,629	99,641	97,705
	<u>1,674,057</u>	<u>1,990,088</u>	<u>2,442,332</u>
NON-CURRENT LIABILITY			
Deferred tax liability	1,319,196	776,917	1,041,601
Long term loans	18,207	2,935	21,508
	<u>1,337,403</u>	<u>779,852</u>	<u>1,063,109</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Capital Reserve	12,456,412	10,384,691	12,456,412
Retained Earnings	13,636,287	13,572,379	12,705,746
	<u>29,747,089</u>	<u>27,611,460</u>	<u>28,816,548</u>
TOTAL EQUITY AND LIABILITIES	<u>32,758,549</u>	<u>30,381,399</u>	<u>32,321,989</u>

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DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income Nine months ended September 30, 2019

	9 Months Ended September 30, 2019 <u>Unaudited</u> US\$	9 Months Ended September 30, 2018 <u>Unaudited</u> US\$	3 Months Ended September 30, 2019 <u>Unaudited</u> US\$	3 Months Ended September 30, 2018 <u>Unaudited</u> US\$	Year Ended December 31, 2018 <u>Audited</u> US\$
OPERATING REVENUE:					
Dolphin Attraction Revenue	6,327,145	6,380,529	1,964,109	2,139,631	8,209,792
Ancillary Services Revenue	<u>5,307,458</u>	<u>5,237,182</u>	<u>1,822,586</u>	<u>1,751,037</u>	<u>6,677,582</u>
Overall Revenue	11,634,602	11,617,711	3,786,694	3,890,667	14,887,374
Less: Direct Costs	<u>1,261,323</u>	<u>1,042,365</u>	<u>447,394</u>	<u>386,459</u>	<u>1,674,668</u>
Gross Profit	10,373,280	10,575,346	3,339,301	3,504,208	13,212,706
Gain on disposal of property, plant & equipment	990	-	990	-	(105)
Live assets retired	-	-	-	-	-
Other income	<u>193,268</u>	<u>193,784</u>	<u>63,720</u>	<u>62,485</u>	<u>253,914</u>
	<u>10,567,537</u>	<u>10,769,130</u>	<u>3,404,011</u>	<u>3,566,693</u>	<u>13,466,515</u>
OPERATING EXPENSES:					
Selling	3,052,396	2,837,248	954,975	1,012,224	3,923,894
Other operations	2,855,159	2,533,676	1,039,047	843,256	3,924,232
Administrative	<u>1,897,652</u>	<u>1,925,460</u>	<u>656,781</u>	<u>638,955</u>	<u>2,599,167</u>
	<u>7,805,207</u>	<u>7,296,384</u>	<u>2,650,803</u>	<u>2,494,435</u>	<u>10,447,293</u>
Profit before finance income and costs	2,762,331	3,472,746	753,208	1,072,258	3,019,222
Finance income	158,071	54,215	86,231	26,759	130,957
Finance costs	(245,701)	(209,444)	(56,944)	(67,078)	(378,717)
Gain on disposal of investments	-	-	-	-	-
Profit Before taxation	2,674,700	3,317,517	782,495	1,031,940	2,771,462
Taxation	<u>(551,706)</u>	<u>(367,553)</u>	<u>(80,003)</u>	<u>(116,742)</u>	<u>(433,108)</u>
Profit for the period	\$ <u>2,122,994</u>	<u>2,949,964</u>	<u>702,491</u>	<u>915,198</u>	<u>2,338,354</u>
Earnings per stock unit	0.54¢	0.75¢	0.18¢	0.23¢	0.6¢
Other comprehensive income:					
Items that are or may be reclassified to profit or loss:					
Surplus on revaluation of dolphins					880,000
Deferred tax on surplus on revaluation of dolphins					(220,000)
Surplus on revaluation of land and buildings					1,130,145
Deferred tax on revalued buildings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,958</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,896,103</u>
Total comprehensive income	\$ <u>2,122,994</u>	<u>2,949,964</u>	<u>702,491</u>	<u>915,198</u>	<u>4,234,457</u>

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DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows Nine months ended September 30, 2019

	9 Months Ended September 30, 2019 <u>Unaudited</u> <u>US\$</u>	9 Months Ended September 30, 2018 <u>Unaudited</u> <u>US\$</u>	Year Ended December 31, 2018 <u>Audited</u> <u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	2,122,994	2,949,964	2,338,354
Adjustments for:			
Depreciation and amortization	689,068	514,703	1,094,636
Loss /(Gain) on disposal of property, plant and equipment	(990)	-	105
Interest income	(77,475)	(54,215)	(2,188)
Interest expense	81,932	209,444	35,975
Impairment loss on trade receivables	309,247	-	(64,392)
Taxation	551,706	367,553	433,108
Operating profit before changes in working capital	<u>3,676,481</u>	<u>3,987,449</u>	<u>3,835,598</u>
Accounts receivable	(403,688)	501,974	66,854
Inventories	(50,089)	(313,337)	20,961
Accounts payable	(573,837)	(84,365)	464,492
Due from related parties	(103,312)	-	76,905
Cash generated from operations	<u>2,545,557</u>	<u>4,091,720</u>	<u>4,464,810</u>
Interest paid	(9,221)	(33,557)	(35,975)
Income tax paid	(274,111)	(367,553)	(563,876)
Net cash provided by operating activities	<u>2,262,225</u>	<u>3,690,610</u>	<u>3,864,959</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,081	2,154	2,188
Additions to property, plant and equipment	(394,750)	(728,651)	(1,373,980)
Proceeds from disposal of property, plant and equipment	-	32	31
Additions to live assets	(89,095)	-	(27,749)
Due from related company	-	(473,918)	(70,999)
Due from parent company	(198,000)	-	(264,000)
Net cash provided/(used) by investing activities	<u>(679,764)</u>	<u>(1,200,384)</u>	<u>(1,734,509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(1,192,453)	(1,782,503)	(1,782,502)
Long term liabilities, net	(213,319)	(583,498)	(377,177)
Net cash (used)/provided by financing activities	<u>(1,405,772)</u>	<u>(2,366,001)</u>	<u>(2,159,679)</u>
Net increase in cash resources	176,689	124,226	(29,229)
Cash resources at beginning of the period	802,701	831,930	831,930
CASH RESOURCES AT END OF PERIOD	<u>\$ 979,390</u>	<u>956,156</u>	<u>802,701</u>
Comprising:			
Cash and cash equivalents	1,123,436	1,013,911	857,090
Bank overdrafts	(144,046)	(57,756)	(54,389)
	<u>\$ 979,390</u>	<u>956,156</u>	<u>802,701</u>

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DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Nine months ended September 30, 2019

	9 Months Ended September 30, 2019 <u>Unaudited</u> <u>US\$</u>	9 Months Ended September 30, 2018 <u>Unaudited</u> <u>US\$</u>	Year Ended December 31, 2018 <u>Audited</u> <u>US\$</u>
Balances at beginning of period	\$ 28,816,548	26,443,999	26,443,999
Adjustment on initial application on IFRS 9, net of taxes [note 3(i)]			(79,405)
Transactions with owners of the company:			
Declared dividends	(1,192,453)	(1,782,503)	(1,782,503)
Total comprehensive income:			
Profit for the period	2,122,994	2,949,964	2,338,354
Other comprehensive income:			
Surplus on revaluation of dolphins			880,000
Deferred tax on surplus on revaluation of dolphins			(220,000)
Surplus on revaluation of land and buildings			1,130,145
Deferred tax on revalued buildings			105,958
Deferred tax provision			
Balance at end of period	\$ 29,747,089	27,611,460	28,816,548

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Selected Explanatory Notes

Nine months ended September 30, 2019

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 2018 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.

The amount as "Due from Parent Company" represents 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 hurricanes in September 2017, to date the recovery of the damaged destinations has not been as fast as expected and the contract has been extended for one more year.

The amount in non-current assets 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.

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.

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.

7. Finance Costs

The Finance Costs are comprised as follows:

Item	September 2019	September 2018	December 2018
Bank charges and commissions	154,549	166,317	214,382
Loan interest	9,221	33,570	40,126
Foreignechange loss	81,932	9,557	124,209

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8.- Asset revaluations.

Fair value of land and buildings

Land and buildings are revalued annually to fair market value at each reporting date. These valuations are conducted periodically by independent professional valuers, using recent selling prices of comparable properties.

However, as no two properties are exactly alike, adjustments are made to reflect differences between properties. Consequently, the determination of fair market value of the property requires that the valuers analyze the differences in relation to age and physical condition, time of sale, land to building ratio, the advantages and disadvantages of the location and other functional gains to be derived from the property, and make necessary adjustments.

Fair value of dolphins

All dolphins are carried at fair value. The fair values are determined based on the market price of dolphins similar age and recent transactions relating to the purchase and sale of dolphins within the wider group.