

# Dolphin Cove Limited

## Report To Stockholders

Nine Months ended September 30, 2016



On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the quarter and nine months ended September 30, 2016.

### OPERATIONS

OPERATIONS						
	Nine-month period ended September 30, 2016	Nine-month period ended September 30, 2015	% increase	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015	Year ended December 31, 2015
Total Revenue (J\$mn)	\$1,497.2	\$1,402.0	7%	\$488.8	\$456.8	\$1,769.0
Profit after taxation (J\$mn)	\$457.2	\$411.9	11%	\$112.3	\$128.1	\$406.2
Number of shares in issue	392,426,376	392,426,376		392,426,376	392,426,376	392,426,376
Earnings per share after tax	\$1.17	\$1.05	11%	\$0.29	\$0.33	\$1.04
*Dividends declared per share	\$0.40	\$0.45		\$0.40	\$0.15	\$0.45

\*The above figures for 2016 do not include a dividend declaration of 20 cents per share on 24 October 2016 to be paid on November 24, 2016, to shareholders on record as at November 8, 2016 amounting to \$78,485,275. In 2015 the total dividends declared were 45 cents per share compared to declarations to date in 2016 of 60 cents per share.

For the nine months ended September 2016 profits after tax was \$457mn, an increase of \$45mn or 11% above the corresponding period in the previous year. Our revenue increased by 7% due primarily to a 35% growth in ancillary revenue.

Gross profit increased by 8% as a result of the growth in revenue and a decline in direct cost of sales.

The increase in operating expenses was only 5% over the corresponding period in 2015

Our revenue in programs was affected due to Royal Caribbean Cruise Lines (RCCL) lowering the net rate they pay us per guest. However, our new partners (majority share holder) was able to use their influence to have the price increased.

Also Disney Cruise Lines reduced their number of calls to Jamaica in 2016. This, however, will be reversed in 2017 as the new cruise schedules indicate the return of Disney to Jamaica to its previous frequency. Also, new increased rates have been negotiated with several cruise lines for next year

# Dolphin Cove Limited

## Report To Stockholders

Nine Months ended September 30, 2016



### FINANCIAL POSITION

FINANCIAL POSITION					
	As at September 30, 2016	As at September 30, 2015	Increase/ (decrease)	As at December 31, 2015	Increase/ (decrease)
Working Capital (J\$mn)	\$514.3	\$422.9	22%	\$376.2	37%
Fixed Assets (J\$mn)	\$2,700.4	\$2,534.4	7%	\$2,549.0	6%
Net Assets (J\$mn)	\$3,054.5	\$2,743.5	11%	\$2,740.7	11%
Debt to Equity ratio	0.06:1	0.09:1		0.08:1	
Net assets per share	\$7.78	\$6.99	11%	\$6.98	11%
Market price	\$11.65	\$11.50	1%	\$15.50	-25%
Market/Book value	1.50	1.64	-9%	2.22	-33%

During the nine months we incurred capital expenditure of \$211 million to improve the facilities of the parks in Jamaica and this is expected to have a positive impact on our performance going forward.

Prospect, our plantation tour, has expanded and refurbished and will be rebranded Yaaman Adventure Park. We have increased the capacity of our tour center and gift shop. We have also constructed a new kitchen and expanded our mud buggy tour.

Dolphin Cove Negril, now rebranded Dolphin Cove Montego Bay, has also been upgraded and expanded to include kayaking and Segways as part of the offering.

The Ocho Rios Park has improved its dolphin interactive programs and applications are in progress to provide new dining and swimming pool areas. Also the check in area has been relocated and enlarged. The Gift Shops have been upgraded.

The expansion at Secrets (Dreams, Montego Bay), RiuMontego Bay, Royalton in Trelawny and Bahia Principe in Runaway Bay are expected to open for the upcoming winter season (over 1000 rooms). We are anticipating very good support from these resorts. These and other rooms being built in 2017 will increase the size of our market.

We continue to assist several schools in St. Ann with their various needs.

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

Nine Months ended September 30, 2016



### Group Interim Statement of Financial Position As At September 30, 2016

	9 Months Ended September 30, 2016	9 Months Ended September 30, 2015	Year Ended December 31, 2015
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	231,966,929	353,302,885	183,922,829
Securities purchased under resale agreements	175,968,413	130,535,966	162,424,403
Investments	36,407,771	31,880,096	32,219,794
Accounts receivable	224,695,754	127,505,968	180,968,611
Taxation recoverable	8,816,689	8,863,302	7,853,311
Inventories	61,130,653	53,033,726	38,712,162
	<u>738,986,210</u>	<u>705,121,943</u>	<u>606,101,110</u>
<b>NON-CURRENT ASSETS</b>			
Investments	-	18,812,631	19,311,712
Property, plant and equipment	2,321,845,847	2,194,635,726	2,218,872,625
Live assets	378,584,002	339,812,271	330,131,936
	<u>2,700,429,849</u>	<u>2,553,260,628</u>	<u>2,568,316,273</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,439,416,059</u></b>	<b><u>3,258,382,571</u></b>	<b><u>3,174,417,383</u></b>
<b>CURRENT LIABILITIES</b>			
Bank overdrafts	13,302,154	3,888,101	4,759,548
Accounts payable	115,453,093	122,720,836	129,769,834
Dividend Payable	-	58,863,956	-
Current portion of long term liabilities	95,127,504	96,707,504	95,127,504
Taxation payable	832,758	-	210,764
	<u>224,715,509</u>	<u>282,180,397</u>	<u>229,867,650</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liability	69,734,332	89,922,190	75,941,494
Long-term liabilities	90,455,525	142,768,608	127,955,525
	<u>160,189,857</u>	<u>232,690,798</u>	<u>203,897,019</u>
<b>SHAREHOLDERS EQUITY</b>			
Share capital	257,960,325	257,960,325	257,960,325
Equity Reserves	1,354,641,590	1,338,208,840	1,340,980,355
Retained Earnings	1,441,908,778	1,147,342,211	1,141,712,034
	<u>3,054,510,692</u>	<u>2,743,511,376</u>	<u>2,740,652,714</u>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>\$ <u>3,439,416,059</u></b>	<b><u>3,258,382,571</u></b>	<b><u>3,174,417,383</u></b>

# Dolphin Cove Limited

## Report To Stockholders

### Nine Months ended September 30, 2016



#### Group Interim Statement of Profit or Loss and Other Comprehensive Income

##### Nine months ended September 30, 2016

	9 Months Ended September 30, 2016 <u>Unaudited</u>	9 Months Ended September 30, 2015 <u>Unaudited</u>	3 Months Ended September 30, 2016 <u>Unaudited</u>	3 Months Ended September 30, 2015 <u>Unaudited</u>	Year Ended December 31, 2015 <u>Audited</u>
OPERATING REVENUE:					
Dolphin attraction revenue	869,604,386	937,309,978	279,256,688	308,779,607	1,167,844,775
Less: Direct costs of dolphin attraction	<u>38,719,640</u>	<u>51,500,607</u>	<u>13,774,263</u>	<u>16,576,895</u>	<u>72,867,274</u>
	<u>830,884,746</u>	<u>885,809,371</u>	<u>265,482,425</u>	<u>292,202,712</u>	<u>1,094,977,501</u>
Ancillary services revenue	627,506,334	464,565,056	209,519,983	148,065,940	600,277,759
Less: Direct costs of ancillary services	<u>49,339,669</u>	<u>51,488,228</u>	<u>20,592,963</u>	<u>15,365,499</u>	<u>87,814,172</u>
	<u>578,166,665</u>	<u>413,076,828</u>	<u>188,927,020</u>	<u>132,700,441</u>	<u>512,463,587</u>
Gross profit	1,409,051,411	1,298,886,199	454,409,445	424,903,153	1,607,441,088
Gain on disposal of property, plant & equipment	-	-	-	-	628,232
Live assets retired	-	(12,995,357)	-	-	(12,995,357)
Other income	<u>53,561</u>	<u>102,928</u>	<u>-</u>	<u>2,925</u>	<u>838,269</u>
	<u>1,409,104,972</u>	<u>1,285,993,770</u>	<u>454,409,445</u>	<u>424,906,078</u>	<u>1,595,912,232</u>
OPERATING EXPENSES:					
Selling	392,977,316	376,654,422	143,455,057	124,648,465	496,934,352
Other operations	297,144,681	278,877,532	98,092,555	99,148,604	394,636,149
Administrative	<u>228,117,393</u>	<u>215,715,100</u>	<u>79,941,992</u>	<u>76,039,027</u>	<u>303,408,296</u>
	<u>918,239,390</u>	<u>871,247,054</u>	<u>321,489,604</u>	<u>299,836,096</u>	<u>1,194,978,797</u>
Profit before finance income and costs	490,865,583	414,746,716	132,919,841	125,069,982	400,933,435
Finance income	32,217,063	30,357,116	1,465,938	14,713,285	35,643,680
Finance costs	<u>(31,536,482)</u>	<u>(26,413,056)</u>	<u>(11,830,734)</u>	<u>(10,112,206)</u>	<u>(35,839,034)</u>
Profit before taxation	491,546,165	418,690,776	122,555,045	129,671,061	400,738,081
Taxation	<u>(34,378,871)</u>	<u>(6,814,539)</u>	<u>(10,270,846)</u>	<u>(1,616,213)</u>	<u>5,507,981</u>
Profit for the period	\$ <u>457,167,294</u>	<u>411,876,237</u>	<u>112,284,199</u>	<u>128,054,848</u>	<u>406,246,062</u>
Earnings per stock unit	<u><u>116.5¢</u></u>	<u><u>104.96¢</u></u>	<u><u>28.61¢</u></u>	<u><u>32.63¢</u></u>	<u><u>103.52¢</u></u>
Other comprehensive Income:					
Items that are or may be reclassified to profit or loss:					
Translation adjustment on consolidation of foreign subsidiaries	9,473,258	10,748,439	2,123,709	8,267,304	13,196,021
Fair value appreciation of available-for-sale investments	<u>4,187,977</u>	<u>-</u>	<u>1,864,585</u>	<u>-</u>	<u>323,933</u>
	<u>13,661,235</u>	<u>10,748,439</u>	<u>3,988,294</u>	<u>8,267,304</u>	<u>13,519,954</u>
Total comprehensive income	\$ <u>470,828,529</u>	<u>422,624,676</u>	<u>116,272,494</u>	<u>136,322,152</u>	<u>419,766,016</u>

# Dolphin Cove Limited

## Report To Stockholders

Nine Months ended September 30, 2016



### DOLPHIN COVE LIMITED

#### Group Interim Statement of Changes in Stockholders' Equity Nine months ended September 30, 2016

	<b>9 Months Ended September 30, 2016 <u>Unaudited</u></b>	<b>9 Months Ended September 30, 2015 <u>Unaudited</u></b>	<b>Year Ended December 31, 2015 <u>Audited</u></b>
Balances at beginning of period	\$ 2,740,652,714	2,497,478,569	2,497,478,569
Transactions with owners of the company:			
Dividends	(156,970,551)	(176,591,869)	(176,591,871)
Total comprehensive income:			
Profit for the period	457,167,294	411,876,237	406,246,062
Other comprehensive income:			
Translation adjustment on consolidation of foreign subsidiaries	9,473,258	10,748,439	13,196,021
Fair value appreciation of available-for-sale investments	\$ 4,187,977	-	323,933
Balance at end of period	\$ 3,054,510,692	2,743,511,376	2,740,652,714

# Dolphin Cove Limited

## Report To Stockholders

### Nine Months ended September 30, 2016



#### Group Interim Statement of Cash Flows

##### Nine months ended September 30, 2016

	9 Months Ended September 30, 2016 <u>Unaudited</u>	9 Months Ended September 30, 2015 <u>Unaudited</u>	Year Ended December 31, 2015 <u>Audited</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period	457,167,294	411,876,237	406,246,062
Adjustments for:			
Depreciation and amortisation	59,358,978	59,889,885	84,512,778
Gain on disposal of property, plant and equipment	-	-	(628,232)
Live assets retired	-	12,995,357	12,995,357
Interest income	(32,217,063)	(5,584,055)	(7,647,374)
Interest expense	31,536,482	11,161,948	15,986,982
Impairment loss on trade receivables	-	-	389,627
Taxation	34,378,871	6,814,539	(5,507,981)
Operating profit before changes in working capital	550,224,561	497,153,911	506,347,219
Accounts receivable	(44,721,014)	37,382,622	(16,840,096)
Inventories	(22,415,050)	(16,295,645)	(1,974,081)
Accounts payable	(19,894,799)	(14,882,460)	(9,218,405)
Cash generated from operations	463,193,697	503,358,428	478,314,637
Interest paid	(31,536,482)	(16,424,882)	(19,864,973)
Income tax paid	(34,378,871)	(1,009,991)	(1,447,412)
Net cash provided by operating activities	397,278,345	485,923,555	457,002,252
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	32,217,063	3,867,544	8,433,642
Securities purchased under resale agreements	(9,356,033)	(6,500,945)	(38,389,382)
Additions to property, plant and equipment	(140,209,941)	(72,395,351)	(112,535,558)
Proceeds from disposal of property, plant and equipment	-	-	4,051,565
Additions to live assets	(70,554,383)	(29,089,387)	(29,104,388)
Investments acquired	24,596,992	-	(2,647,177)
Net cash provided/(used) by investing activities	(163,306,301)	(104,118,139)	(170,191,298)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	(156,970,551)	(176,591,870)	(235,455,828)
Long term liabilities, net	(37,500,000)	(38,684,995)	(55,078,078)
Net cash (used)/provided by financing activities	(194,470,551)	(215,276,865)	(290,533,906)
Net increase in cash resources	39,501,493	166,528,551	(3,722,952)
Cash resources at beginning of the period	179,163,281	182,886,233	182,886,233
<b>CASH RESOURCES AT END OF PERIOD</b>	<b>\$ 218,664,774</b>	<b>\$ 349,414,784</b>	<b>\$ 179,163,281</b>
<b>Comprising:</b>			
Cash and cash equivalents	231,966,929	353,302,885	183,922,829
Bank overdrafts	(13,302,154)	(3,888,101)	(4,759,548)
	<b>\$ 218,664,774</b>	<b>\$ 349,414,784</b>	<b>\$ 179,163,281</b>

# Dolphin Cove Limited

## Report To Stockholders

Nine Months ended September 30, 2016



**Selected Explanatory Notes**  
Nine months ended September 30, 2016

### **Basis of preparation:**

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 and the accounting policies set out in note 2 to the audited consolidated financial statement for the year ended December 31, 2015 which have been consistently applied from period to period, with the exception that segment reporting is no longer applied as explained below.

The Group maintains discrete financial information for each of its parks, which is used by the Chief Operating Decision Maker ("CODM"), identified as the Group's Managing Director, as a basis for allocating resources. Each park has been identified as an operating segment and meets the criteria for aggregation under IFRS 8 due to similar economic characteristics and all of the parks provide similar products and services, share similar processes for delivering services and target the same type and class of customer. Accordingly, based on these economic and operational similarities and the way the CODM monitors the operations, the Group has concluded that its operating segments should be aggregated and that it has one operating segment.

# Dolphin Cove Limited

## Report To Stockholders

Nine Months ended September 30, 2016



### DISCLOSURE OF SHAREHOLDINGS

As At September 30, 2016

<b>TOP TEN (10) SHAREHOLDERS</b>	
<b>Shareholders</b>	<b>Stockholding</b>
World of Dolphins	313,901,858
Garden House Holdings Limited	37,491,168
Stafford Burrowes	7,876,770
JCSD Trustees Services Ltd. a/c#76579-02	3,315,729
ATL Group Pension Fund Trustees Nom Ltd	2,222,530
NCB Insurance Co. Ltd. a/c WT040	2,070,761
SJML A/C 831	2,028,678
NCB Insurance Co, Ltd. a/c WT160	1,652,357
SJIML A/C 2884	1,303,798
Lorna A Myers	1,245,972

<b>STOCKHOLDINGS OF DIRECTORS AND CONNECTED PERSONS</b>			
<b>Directors</b>	<b>Stockholding</b>	<b>Connected Persons</b>	<b>Stockholding</b>
Stafford Burrowes	7,876,770	Garden House Holdings Limited	37,491,168
Noel D. Levy	200,000	None	-

<b>STOCKHOLDINGS OF SENIOR MANAGEMENT AND CONNECTED PERSONS</b>			
<b>Senior Management</b>	<b>Stockholding</b>	<b>Connected Persons</b>	<b>Stockholding</b>
Stafford Burrowes	7,876,770	Garden House Holdings Limited	37,491,168
Mishka Stennett	3,000	None	-
David Russell	24,298	None	-
Marilyn Burrowes	1,000,008	Stafford Burrowes	7,876,770