

Dolphin Cove Limited

Report to Stockholders

Six months ended June 30th, 2017



Dolphin Cove limited
 Report to Stockholders
Six Months ended June 30, 2017

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Dolphin Cove Limited for the six months ended June 30, 2017.

OPERATIONS

OPERATIONS										
	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016	% increase	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	% increase	Twelve-month period ended June 30, 2017	Twelve-month period ended June 30, 2016	% increase	Year ended December 31, 2016
Total Revenue (US\$)	\$8,656,941	\$8,201,839	6%	\$4,369,767	\$4,054,630	8%	\$15,732,635	\$15,222,089	3%	\$15,264,834
Profit after taxation (US\$)	\$2,603,236	\$2,805,296	-7%	\$1,210,671	\$1,327,470	-9%	\$3,654,627	\$3,795,693	-4%	\$2,860,160
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	\$0.0066	\$0.0071	-7%	\$0.0031	\$0.0034	-9%	\$0.0093	\$0.0097	-4%	\$0.0073
Dividends declared per share (JD\$)	\$0.40	\$0.40		\$0.20	\$0.40		\$0.60	\$0.50		\$0.60

The Island received 2.1 Million visitors between January and June of this year (2017), an increase of 3.9% over the same period last year. This along with good local support, thanks to our new North South Highway, resulted in increased revenues of 6% for the first two quarters.

Revenues from ancillary services increased 10% from the comparable period in the prior year.

The gross profit in the second quarter of the year was 5.4% more in comparison to the same period of 2016, however, the operating expenses of the parks increased by 16%.

Dolphin Cove Limited
Report to Stockholders
Six months ended June 30th, 2017



FINANCIAL POSITION

FINANCIAL POSITION					
	As at June 30, 2017	As at June 30, 2016	Increase/ (decrease)	As at December 31, 2016	Increase/ (decrease)
Working Capital (US\$)	\$3,182,954	\$3,896,429	-18%	\$1,377,018	131%
Fixed Assets (US\$)	\$24,537,253	\$23,523,485	4%	\$24,158,166	2%
Net Assets (US\$)	\$26,831,284	\$26,024,078	3%	\$25,441,329	5%
Debt to Equity ratio	0.04:1	0.06:1		0.05:1	
Net assets per share	\$0.07	\$0.07	3%	\$0.06	5%
Market price (J\$)	\$20.00	\$11.65	72%	\$15.00	33%
Market/Book value	2.93	1.76	67%	2.31	26%

During this quarter the Group made capital expenditures of US\$0.2 million for the several improvements to the facilities of the Parks which is expected to have a positive impact on our performance going forward.

Working capital increased by US\$0.9 million in comparison to the first quarter of 2017 due mainly to the increase in the cash and cash equivalents and the accounts receivable, however, it shows a decrease versus the first semester of 2016.

A dividend of J\$0.20 (20 Jamaican cents) per share was declared on August 9th, 2017 to be paid on the 20th of September of 2017 to shareholders of record on 31 August 2017 with the ex-dividend date being 29 August 2017. This brings the total of dividends declared in 2017 to the date of this report to J\$0.60 (60 Jamaican cents).

Dolphin Cove Limited

Report to Stockholders

Six months ended June 30th, 2017



DOLPHIN COVE LIMITED

Group Interim Statement of Financial Position As At June 30, 2017

	6 Months Ended June 30, 2017	6 Months Ended June 30, 2016	Year Ended December 31, 2016
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Audited</u>
CURRENT ASSETS			
Cash and cash equivalents	2,545,407	1,853,013	1,223,530
Securities purchased under resale agreements	-	1,362,470	-
Investments	1,995	274,131	300,037
Accounts receivable	2,376,805	2,198,546	1,699,508
Due from related parties	(5) 510,780	70,127	-
Taxation recoverable	71,267	67,476	28,268
Inventories	567,614	527,882	343,703
	<u>6,073,867</u>	<u>6,353,645</u>	<u>3,595,046</u>
NON-CURRENT ASSETS			
Property, plant and equipment	20,397,959	19,957,267	20,292,633
Live assets	4,139,294	3,566,218	3,865,533
Due from related company	110,000	-	1,450,000
	<u>24,647,253</u>	<u>23,523,485</u>	<u>25,608,166</u>
TOTAL ASSETS	\$ 30,721,120	29,877,130	29,203,212
CURRENT LIABILITIES			
Bank overdrafts	256,527	-	113,286
Accounts payable	1,426,777	1,077,771	1,340,354
Dividend Payable	-	617,914	-
Current portion of long term liabilities	734,575	754,921	740,635
Taxation payable	-	-	1,641
Due to other related companies	(5) 473,034	6,609	22,112
	<u>2,890,913</u>	<u>2,457,215</u>	<u>2,218,028</u>
NON-CURRENT LIABILITY			
Deferred tax liability	586,421	578,793	936,916
Long-term liabilities	412,501	817,043	606,939
	<u>998,922</u>	<u>1,395,836</u>	<u>1,543,855</u>
SHAREHOLDERS' EQUITY			
Share capital	3,654,390	3,654,390	3,654,390
Equity Reserves	10,655,445	10,708,072	10,655,913
Retained Earnings	12,521,449	11,661,616	11,131,026
	<u>26,831,284</u>	<u>26,024,078</u>	<u>25,441,329</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	\$ 30,721,120	29,877,130	29,203,212

Dolphin Cove Limited

Report to Stockholders

Six months ended June 30th, 2017



DOLPHIN COVE LIMITED

Group Interim Statement of Profit or Loss and Other Comprehensive Income Six months ended June 30, 2017

	6 Months Ended June 30, 2017 <u>Unaudited</u>	6 Months Ended June 30, 2016 <u>Unaudited</u>	3 Months Ended June 30, 2017 <u>Unaudited</u>	3 Months Ended June 30, 2016 <u>Unaudited</u>	Year Ended December 31, 2016 <u>Audited</u>
OPERATING REVENUE:					
Programmes revenue	4,909,815	4,801,917	2,486,205	2,380,728	8,805,221
Ancillary services revenue	3,747,126	3,399,922	1,883,562	1,673,902	6,459,613
Overall Revenue	<u>8,656,941</u>	<u>8,201,839</u>	<u>4,369,767</u>	<u>4,054,630</u>	<u>15,264,834</u>
Less: Direct costs of sales	<u>472,400</u>	<u>436,734</u>	<u>250,561</u>	<u>226,873</u>	<u>1,133,669</u>
Net Revenue	8,184,541	7,765,105	4,119,206	3,827,758	14,131,165
Gain on disposal of property, plant & equipment	-	-	-	-	-
Live assets retired	-	-	-	-	-
Other income	1,484	436	1,484	436	427
	<u>8,186,025</u>	<u>7,765,540</u>	<u>4,120,690</u>	<u>3,828,193</u>	<u>14,131,592</u>
OPERATING EXPENSES:					
Selling	2,173,295	2,029,626	1,097,024	987,109	4,410,924
Other operations	1,846,468	1,619,100	1,027,118	858,873	3,767,635
Administrative	1,305,730	1,205,266	671,517	641,111	2,525,587
	<u>5,325,493</u>	<u>4,853,992</u>	<u>2,795,659</u>	<u>2,487,093</u>	<u>10,704,146</u>
Profit before finance income and costs	2,860,532	2,911,548	1,325,031	1,341,100	3,427,446
Finance income	151,690	250,131	85,749	180,739	172,394
Finance costs	<u>(197,787)</u>	<u>(160,288)</u>	<u>(96,492)</u>	<u>(81,528)</u>	<u>(307,943)</u>
Profit before taxation	2,814,436	3,001,392	1,314,287	1,440,311	3,291,897
Taxation	<u>(211,200)</u>	<u>(196,096)</u>	<u>(103,617)</u>	<u>(112,841)</u>	<u>(431,737)</u>
Profit for the period	<u>\$ 2,603,236</u>	<u>2,805,296</u>	<u>1,210,671</u>	<u>1,327,470</u>	<u>2,860,160</u>
Earnings per stock unit	<u>0.66¢</u>	<u>0.71¢</u>	<u>0.31¢</u>	<u>0.34¢</u>	<u>0.73¢</u>
Other comprehensive Income:					
Items that are or may be reclassified to profit or loss:					
Translation adjustment on consolidation of foreign subsidiaries	-	48,957	-	989	-
Fair value appreciation of available-for-sale investments	-	18,899	-	13,879	30,646
	<u>-</u>	<u>67,856</u>	<u>-</u>	<u>14,868</u>	<u>30,646</u>
Total comprehensive income	<u>\$ 2,603,236</u>	<u>2,873,152</u>	<u>1,210,671</u>	<u>1,342,338</u>	<u>2,890,806</u>

Dolphin Cove Limited
Report to Stockholders
Six months ended June 30th, 2017



DOLPHIN COVE LIMITED
Group Interim Statement of Changes in Stockholders' Equity
Six months ended June 30, 2017

	6 Months Ended June 30, 2017 <u>Unaudited</u>	6 Months Ended June 30, 2016 <u>Unaudited</u>	Year Ended December 31, 2016 <u>Audited</u>
Balances at beginning of period	\$ 25,441,329	24,427,733	24,427,733
Transactions recorded directly in equity:			
Dividends	(1,213,281)	(1,276,806)	(1,877,210)
Total comprehensive income:			
Profit for the period	2,603,236	2,805,296	2,860,160
Other comprehensive income:			
Translation adjustment on consolidation of foreign subsidiaries	-	48,957	-
Fair value appreciation of available-for-sale investments	-	18,899	30,646
Balance at end of period	\$ 26,831,284	26,024,078	25,441,329

Dolphin Cove Limited

Report to Stockholders

Six months ended June 30th, 2017



DOLPHIN COVE LIMITED

Group Interim Statement of Cash Flows Six months ended June 30, 2017

	6 Months Ended June 30, 2017 <u>Unaudited</u>	6 Months Ended June 30, 2016 <u>Unaudited</u>	Year Ended December 31, 2016 <u>Audited</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period	2,603,236	2,805,296	2,860,160
Adjustments for:			
Depreciation and amortisation	406,639	362,711	1,008,017
Gain on disposal of property, plant and equipment	-	-	-
Live assets retired	-	-	-
Interest income	(151,690)	(29,036)	(48,872)
Interest expense	197,787	64,583	104,787
Loss on disposal of investments	-	-	-
Impairment loss on trade receivables	-	-	163,570
Taxation	211,200	196,096	431,737
Operating profit before changes in working capital	<u>3,267,171</u>	<u>3,399,650</u>	<u>4,519,399</u>
Accounts receivable	(677,297)	(226,959)	(353,589)
Inventories	(223,911)	(71,501)	(14,004)
Accounts payable	487,559	549,129	447,719
Due to related parties	473,034	(71,878)	22,112
Cash generated from operations	<u>3,326,557</u>	<u>3,578,442</u>	<u>4,621,637</u>
Interest paid	-	(64,583)	(290,695)
Income tax paid	-	(220,784)	(436,784)
Net cash provided by operating activities	<u>3,326,557</u>	<u>3,293,075</u>	<u>3,894,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,972	32,049	51,968
Securities purchased under resale agreements	-	(75,324)	1,357,588
Additions to property, plant and equipment	(280,990)	(953,457)	(1,443,361)
Proceeds from disposal of property, plant and equipment	-	-	-
Additions to live assets	(336,446)	(577,578)	(576,932)
Due from related company	(319,176)	-	(1,450,000)
Proceeds from the disposal of investments	-	-	-
Investments acquired	-	157,082	161,323
Net cash provided/(used) by investing activities	<u>(934,640)</u>	<u>(1,417,227)</u>	<u>(1,899,414)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term loan received/(repaid)	-	-	-
Dividends paid	(1,213,281)	(1,276,806)	(1,877,210)
Long term liabilities, net	-	(203,351)	(505,044)
Net cash (used)/provided by financing activities	<u>(1,213,281)</u>	<u>(1,480,157)</u>	<u>(2,382,254)</u>
Net increase in cash resources	1,178,636	395,690	(387,510)
Cash resources at beginning of the period	1,110,244	1,457,323	1,497,754
CASH RESOURCES AT END OF PERIOD	<u>\$ 2,288,880</u>	<u>\$ 1,853,013</u>	<u>\$ 1,110,244</u>
Comprising:			
Cash and cash equivalents	2,545,407	1,853,013	1,223,530
Bank overdrafts	(256,527)	-	(113,286)
	<u>\$ 2,288,880</u>	<u>\$ 1,853,013</u>	<u>\$ 1,110,244</u>

Dolphin Cove Limited
Report to Stockholders
Six months ended June 30th, 2017



Selected Explanatory Notes

Six months ended June 30, 2017

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) On November 18, 2015 World of Dolphins Inc. ("parent company"), incorporated in Barbados, acquired 229,610,218 shares in the company or 58.51% of its issued share capital, from a majority shareholder.

(d) 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" – the 'wider group'. Both companies are incorporated in Mexico.

Dolphin Cove Limited
Report to Stockholders
Six months ended June 30th, 2017



(e) On December 18, 2015, the parent company made a follow-up offer to purchase all the remaining shares of the company, with the intention of not increasing its shareholdings beyond 79.99%. The offer was accepted by 110 shareholders tendering 48,815,711 ordinary shares or 12.44% of the issued share capital of the company. In addition, one of the lockout shareholders sold a further 35,475,929 shares to the parent company, at the offer price of US\$0.1338 per share.

(f) Effective January 8, 2016, World of Dolphins Inc. holds 79.99% of shares issued by Dolphin Cove Limited.

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.

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 half 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 12 month basis as well as disclosing the calendar quarterly and year to date information.

5. *Related parties*

Due from

The parent facilitates the booking of visitors to the group's parks and this amount represents amounts collected by the parent and payable to the group.

Due to

The group benefits from central services provided by its parent for which it pays a management fee approved by a committee of the board of directors comprised of the independent directors. This amount represents accrued fees unpaid.

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.